**The Living Wage of Workers in Vietnam**

Phuong Huu Tung
Faculty of Human Resource Management, Ha Noi University of Home Affairs, Vietnam

**Abstract**---Currently, Vietnam implements wage policy making through the important tool of minimum wage. However, the reality shows that the use of the minimum wage to pay employees is still inadequate and far from reality. Instead of using the minimum wage, a number of developed countries have recently used a new concept in wage policy making, which is "living wage" with high efficiency. In line with the trend of the world, the living wage needs to be recognized and researched and applied in practice in Vietnam to bring about more positive effects, ensuring the life of employees and the whole family. Sustainable development of enterprises.

**Keywords**---living wage, minimum wage, salary, wage policy, workers.

**Introduction**

Facing the trend of global integration, Vietnam has many favorable conditions for economic and social development. The economy of our country in recent years has continuously grown rapidly with a relatively high growth rate; besides, the country’s scientific and technical level is also growing, catching up with world science. In the process of economic renewal and development, our State always has policies to promote the full potential of individuals in the economy as well as to attract resources from abroad. Building a salary regime suitable to economic conditions in the new period will be the driving force to motivate employees to work more actively, thereby helping businesses and companies increase labor productivity. Respond to economic development (Chan & Chan, 2004; Naik, 2017).

However, along with the positive aspects of economic development and opening, the limitations of the market mechanism also create certain difficulties such as: the gap between the rich and the poor, the high unemployment rate. In addition, more and more foreign companies invest in Vietnam with attractive salary policies to attract highly qualified workers. This causes significant difficulties for the labor policy of domestic enterprises (Parmenter, 2015; Owram, 2019). Low income level is also a cause of brain drain problem in recent years, a rather difficult problem for our country. Thus, the construction of a reasonable salary regime will ensure...
the life of workers, and at the same time help overcome the limitations of the market economy. The question is what salary is reasonable? Currently, we are applying “minimum wage” to employees. Minimum wage greatly affects the minimum standard of living of workers. However, over the years, it can be seen that the minimum wage has many limitations, mainly only to compensate for price slippage, and has not yet become the basic source of livelihood corresponding to the labor value of employees. According to actual survey data on wages, income and workers' living conditions from the Vietnam General Confederation of Labor, in recent years, workers' incomes have improved slightly, but most still having difficulty. So it's time we pay more attention to the salary regime for employees to ensure the minimum living needs of workers and their families (Pham, 2016; Amadeo, 2020).

Literature reviews

Minimum wage

According to the ILO, minimum wage is defined as the lowest amount of remuneration that an employer must pay to workers after they have performed work for a certain period of time, which cannot be paid. Lower by collective agreement or by individual contracts. Minimum wage regulations in Vietnam, The minimum wage in Vietnam from time to time is specified in legal documents:

- Decree No. 29/SL dated 12/3/1947 of the State President (this is the first regulation on minimum wage under the government of the Democratic Republic of Vietnam, now the Socialist Republic of Vietnam).

Minimum wage is the lowest level paid to employees who do the simplest jobs, under normal working conditions, and must ensure the minimum living needs of workers and their families. The minimum wage is determined by month, day, and hour and is established by region and industry. Based on the minimum living needs of workers and their families, socio-economic conditions and wages in the labor market, the Government announces the regional minimum wages on the basis of recommendations of the Association national wages. The sectoral minimum wage is determined through sectoral collective bargaining, recorded in the sectoral collective bargaining agreement, but must not be lower than the regional minimum wage announced by the Government. Regulations in Article 91 of the Labor Code 2019 (applicable from January 1, 2021) (Iles & Yolles, 2003; Thompson & Chapman, 2006).

Living wage

The ILO does not provide a separate definition of living wage, but mainly calculates based on ensuring the needs for workers to have a decent life, there are many ways to determine the needs of workers and their families but Anker's method is often used. Anker's methodology for living wages consists of two main components, the first of which calculates the cost of a basic but decent standard
of living for a worker and family in a particular place (Sokol et al., 2006; Armstrong & Murlis, 2007). The second component determines whether a living wage is paid to workers. The methodology also emphasizes the participation of local people and organizations in order to increase the level of trust and acceptance by the parties. Housing costs are calculated using national and international standards for decent housing. Local food and housing prices are collected along with education, healthcare and travel costs to ensure workers are paid enough to cover these. This method requires transparency, detailed documentation and analysis to ensure that the living wage calculation is certain and reliable. It includes the evaluation of secondary data and adjustments to these data as required. It has a careful combination of new local data and available secondary data that ensures practicality and reliability (Dumitrana et al., 2009; Gregg et al., 2016).

Finally, the living wage calculation is separated from whether special workers receive a living wage or whether special employers pay a living wage (Gallet, 2004; Adams & Neumark, 2005). The authorities involved in assessing wages require consideration not only of the total cash payment but also the deduction of overtime wages, bonuses, and in-kind benefits.

![Figure 1. Human needs pyramid according to A. Maslow](image)

According to A. Maslow, basically, human needs are divided into two main groups: basic needs and meta needs. Basic needs related to the physical (innate) factors of human beings: food, water, sleep. (The first 2 steps of the 5 levels corresponding to the pyramid of needs) these are the needs. Indispensable needs, because if people do not meet these needs, they will not exist, so they will struggle to get them. Higher-order needs (formed in the process of individual development), including factors in the spiritual domain, such as the need for justice, peace of mind, safety, happiness, social status, respect. Honor, honor with an individual (Cahuc & Michel, 1996; Lemos 2009).

In the current period, Vietnam is a developing country in the group of low-middle-income countries. Despite the economic growth rate for many years, the size of the economy (GDP) is still very modest in 2019 reaching 267 billion USD, per capita reaching 2,786 USD/person. After 30 years of renovation, our country’s economy ranks 46th in the world, but the population size ranks 15th in the
world, so opportunities and challenges are intertwined in the development process, so how to get out of the trap average income in terms of both the golden population period and the aging population period (before getting rich, getting old). Therefore, a living wage needs to be considered in the general context of the economy from time to time, and at the same time there needs to be a harmony between wage earners and unemployed people, between people working in the public sector and the public sector. Industry, construction, and services with people working in agriculture, forestry and fishery and must develop a roadmap for implementation suitable to each region (Gosden et al., 2003; Lam et al., 2012).

Minimum wages meet the minimum needs and aim for a living wage

The current minimum wage regulation in Vietnam has basically absorbed Convention 131 and ILO Recommendation 135, when adjusting the minimum wage, the technical department of the National Wage Council will prepare a plan. Adjusted for discussion by 15 members of the Council (in addition to the plan of the technical department, each representative in the Council also has its own plan and is also discussed). The plan of the technical department is usually more neutral than that of the parties because each party emphasizes the interests of the organization or individual they represent. The adjustment plan is built according to the provisions of the Labor Code and is detailed into the following elements:

- The needs of employees and their families, including:
  - Demand for food and food (accounting for 48%), determined on the basis of the amount of calories needed for a day, about 2300 Kcal/day/person, calculated based on the quantity of food and food in "basket of goods" according to consumption habits to ensure that necessary amount of Kcal.
  - Demand for non-food products (accounting for 52%), such as education, health care, housing, fuel energy, daily necessities, transportation, entertainment, clothing clothing, equipment for living, other contributions and expenses.
  - Child-rearing needs (dependents equal to 0.7 of employees' costs): Calculated on the basis of household size, number of people working full-time and costs for the minimum nutritional needs of the person child.
  - Socio-economic situation (assessment of economic growth rate of GDP, consumer price index CPI, labor productivity of the current year and expected for the adjusted year; labor market criteria; such as employment, unemployment, number of newly established businesses and bankruptcies of the current year and forecast for the following year).
  - Evaluation of the implementation of the minimum wage of the year preceding the year of adjustment; wage survey on the market (through the data of the labor and employment survey of the General Statistics Office, through the sample survey of the Ministry of Labor, War Invalids and Social Affairs).
  - Refer to the minimum wages of some countries in the region:

In terms of basis, the methodology for determining the minimum wage in the enterprise sector has so far been found to be relatively scientific, consistent with international conventions and current socio-economic
conditions. In the Labor Code of 2019, additional members of the National Wage Council are added who are independent experts to review the options of each party in the Council in order to choose a plan to harmonize voices and sharing. Between the parties to advise the Government. In practice, in the history of wage policy reform in our country, 1960 and 1985 were the wage reforms of the centrally-subsidized management economy, mainly focusing on the State sector. And is governed by the capacity of the state budget. Reforming salary policy from 1993 onwards, it was only then that the areas were separated to have appropriate policies and steps, that is, the area of cadres, civil servants, public employees and armed forces receiving salaries from the bank. the state budget (this sector's wages are also calculated in relation to the market to ensure that the living standards of civil servants must be equal to the average level in society, but the implementation depends on the budget capacity); the non-business sector operates with the state budget and with socialization sources (this sector will also gradually transition to a market wage mechanism with the nature of serving not more than for-profit purposes, with a source of salary payment). Collected from the state revenue from ordering and from socialization); The enterprise sector operating under the market mechanism will gradually switch to a market-based wage policy.

Minimum wage is one of the three contents of wage policy reform (minimum wage, salary scale system and management and salary mechanism). In 1960, 1985 the minimum wage was decided by the Government. In 1993, the Government decided but consulted with social partners. From 2013 onwards, through the three-way discussion and negotiation mechanism, which is the state, the representative organization of employees and the organization representing the employer in the National Wage Council, provide advice to the Government for decision (Lee & Saez, 2012; Ahmat et al., 2019).

Regarding the minimum wage in each reform, the Government decided to apply it for each period based on socio-economic conditions and reform objectives of that period, specifically in 1960 the minimum wage was 27, 3 VND/month; in 1985 was 220 VND/month; in 1993 was 120,000 VND/month; in 1997 it was 144,000 VND/month, in 2000 it was 180,000 VND/month, in 2001 it was 210,000 VND/month; in 2004 it was 290,000 VND/month, in 2005 it was 350,000 VND/month; in 2006 was 450,000 VND/month (from 1993 up to now, the minimum wage has been gradually increased, mainly to ensure real wages and partly to improve living standards). For the enterprise sector before 2008, separate regulations for domestic enterprises and foreign-invested enterprises. From 2008 onward, the minimum wage rates are unified in four regions. For the sector receiving state budget wages, before 2013, the minimum wage, the general minimum wage, and from 2013 onward is the base salary for calculating salaries according to the salary tables (due to the fact that In the period of galloping inflation, wages must always be adjusted to ensure real wages, so the wage rate is determined by the coefficient, and the absolute level is multiplied by the general minimum wage or the base salary. In order to overcome the need to constantly change the salary, however, recently, the slippage index is low and more stable to prolong the salary determined by the coefficient, which is not beneficial because
the wage earner does not know what his salary is but only remember how many
coefficients).

For the business sector, from 2008 to 2020, the Government has adjusted to
increase the regional minimum wage 13 times, from 450,000 VND/month to an
average of 3,710,000 VND/month, an increase of 7.24 times, the average increase
of 15.52%/year, this figure surpasses all indicators such as GDP increasing by
6.21% on average, CPI increasing by 7.37%, if calculating the food price index,
food also increased only about 11% and the labor productivity growth rate only
increased at 4.31%. The level of gradual adjustment is both to meet the minimum
needs of employees and to be in line with the ability of enterprises to pay (for the
first time in 2020 the minimum wage meets the minimum living needs threshold
of employees. determined in the period 2011 - 2020, this target is determined
from 2010 but the implementation process must adjust the time to achieve the
target because if the adjustment is high, the enterprise's ability to withstand
shock is not guaranteed (Lennernäs et al., 1995; Romon et al., 1992). Although
the State has considered carefully before making a decision, in fact, the
continuous increase in labor costs due to the increase in the minimum wage and
social insurance costs has resulted in the majority of small and medium-sized
enterprises and enterprises. Using a lot of labor in the field of outsourcing,
processing is under great pressure).

With the recent adjustment of regional minimum wages, the following three
trends have emerged

- The first trend, because the minimum wage growth rate in the past time is
  much higher than the labor productivity growth rate, the continuous and
  high annual minimum wage adjustment makes it difficult and reduces the
  ability to enterprise competition. Therefore, in the workshop, there were
  experts and some businesses who said that it is necessary to review the role
  of the minimum wage, to boldly study to abandon the Government's
  regulation of the minimum wage and instead adopt a negotiable salary
  mechanism (Lestari, 2021; Ernayani et al., 2021). To suit the conditions
  and capabilities of each enterprise. However, to protect vulnerable workers,
  the Government announced that the minimum wage in the current period is
  appropriate, and the two sides can negotiate to apply a higher salary than
  the minimum wage prescribed by the State. The Government’s regulation of
  the minimum wage is also in line with the current general trend. According
to the ILO report, by 2015, 171 countries, accounting for 92% of the
member countries, have regulations on minimum wages. The issue that
needs to be discussed is whether to adjust the annual increase and how
much is appropriate to the capabilities of enterprises, especially small and
medium enterprises, enterprises that use a lot of labor (labor costs include:
the cost of recruitment, additional training, salary, social insurance, union
fee, welfare, increase continuously every year but the processing price does
not change accordingly).

- The second trend, a part of labor, representative organizations and social
  organizations believes that despite the annual increase, the current
minimum wage still does not meet the minimum living needs (not enough to
live on). One of the opinions of this trend is the report on April 10, 2019, the
Fair Labor Association (FLA) surveyed the situation of factory workers in Vietnam working too long, exceeding international standards allow, to close the significant gap between what they earn and what they need to provide for themselves and their families.

FLA took data for three years, from 2015 to 2017 representing nearly 13,000 workers from 38 textile factories and compared it with the calculation of the Global Living Wage Coalition (GLWC). It assumes that the average living income in Vietnam at the same time of the Anker study is 5,760,098 VND, while the salary of workers in Vietnam is about 4,645,122 VND (200 USD) per month, while the total salary (income) is 6,435,864 VND workers receive for the HCMC area, where most of the factories in the FLA sample are located, while the standard level of GLWC is 5,760,098 VND (248 USD); Therefore, it is necessary to increase wages by nearly 25% to meet the living wage.

If calculating the average total income of Vietnamese workers, after adding all allowances and overtime, it is 6,285,316 VND, about 270 USD, higher than the average living standard but still lower than the average income of Asian people is 9,500,000 VND, and there is almost no accumulation. To achieve the above income, they have to work a lot of overtime even in violation of both national laws and international labor standards. The report recommends advocacy at the sectoral level to help increase the minimum wage. It also leverages the influence of manufacturers, and suppliers have an essential role to play in ensuring workers are paid fairly.

From the approach of the report, if compared, the minimum wage in Ho Chi Minh City at that time was 3,75,000 VND/month, only 65%, and the minimum salary in 2020 in the city is 4,420,000 VND/month. Also only reached 77%. This shows that in order to achieve the GLWC living wage standard, the regional minimum wage applied to the business sector in Vietnam needs to continue to be adjusted so that the minimum living needs approach the basic needs of people. This is also completely consistent with the requirements of life. When the economy is more developed, the needs of people in general and workers in particular are also more demanding. Currently, the beneficiaries of the minimum wage and slightly higher than the minimum wage account for a relatively large proportion of about 20-25%, while in other countries this proportion is only about 7-10%. The report also shows that the average income of Vietnam is only 66% of the average income in Asia, which requires Vietnam to promote measures to increase labor productivity further to shorten this gap, this difference is also Vietnam’s advantage in the current period to attract foreign investment flows because the labor cost is lower than other countries. Some comparative charts of the report.
Figure 2. Average Vietnamese worker: net wage

Figure 3. Average Vietnamese worker: total wage

Figure 4. Hours of work violations
The third trend, the adjustment of the minimum wage in the business sector continuously with a high increase also creates a significant gap with other areas, especially the salary sector from the budget, the projected base salary. The idea applied from July 1, 2020 is only 52% of the minimum wage in Region IV, the lowest region (1,600,000/3,070,000), even university graduates who have passed an internship, their income is also only 7% higher than the minimum wage of Region III (1,600,000 * 2.34 * 1.25/3.430,000). The goal of the Party and State is that cadres, civil servants and public employees must basically live on salary and ensure a decent standard of living in society. However, the implementation still depends on the budget capacity, reasonable apparatus and staff (the State's view on the salaries of these subjects; salary sources and salary beneficiaries).

Reform of wage policy towards a living wage

In the history of our country, there have been 4 times of wage policy reform in 1960, 1985, 1993 and 2004 with success, failure, and even failure. Each reform has objectives and requirements suitable for each period, but in general, it is aimed at increasing wages for wage earners and ensuring the macro balance of the country or the ability of enterprises, attaching money to the economy. Salary with productivity and work efficiency, wages must become the main source of income for salariied workers. However, in general, it can be identified that there are areas that have not achieved the target, the most demanding requirements are the conditions for implementing reforms such as preparing resources, downsizing the staffing plan, re-arranging the ministry. Machinery, administrative reform, and financial management mechanism innovation. Wages have not been the main source of income for salaried people to live mainly on wages, have not yet become a driving force to improve labor productivity and work efficiency (Diana et al., 2020; Adinkrah, 2021).

We are preparing to implement the 5th salary policy reform (period 2021-2030) according to Resolution 27-NQ/TW dated May 22, 2018 on reforming salary policy for officials and employees. Officials, public employees, armed forces and employees in enterprises with the common goal of building a system of national wage policy in a scientific, transparent and appropriate manner to the actual situation of the country, meeting meet the development requirements of the socialist-oriented market economy and actively integrate into the world, building harmonious, stable and progressive labor relations; create motivation to release production power, improve labor productivity and quality of human resources; contribute to building a clean, streamlined political system that operates effectively and efficiently; preventing and combating corruption and wastefulness; ensure the life of the salaried person and his/her family, and realize social progress and justice (Amori, 2021; Rinartha et al., 2018).

Salary policy reform from 2021 to 2025 and a vision to 2030

For the public sector: From 2021, a new uniform salary system will be applied to cadres, civil servants, public employees and the armed forces in the entire political system. The lowest salary of cadres, civil servants and
public employees is equal to the average lowest salary of regions of the business sector. Periodically raise wages in line with the consumer price index, economic growth and the state budget's capacity. By 2025, the lowest wages of cadres, civil servants and public employees will be higher than the average lowest wages of regions of the business sector. By 2030, the lowest salary of cadres, civil servants and public employees will be equal to or higher than the lowest salary of the highest region of the business sector.

- Public non-business units: Self-financing recurrent expenditures and investment expenditures, or self-guaranteeing recurrent expenditures and state financial funds outside the state budget are entitled to self-monitoring of wages according to operating results. Act like a business; Public non-business units that cover part of recurrent expenditures by themselves and public non-business units with all recurrent expenditures covered by the state budget shall apply the salary regime similar to civil servants. The actual salary paid in association with the employment position and professional title of the public employee shall be decided by the head of the public non-business unit on the basis of revenue sources (from the state budget and the unit’s revenue). Labor productivity, work quality and work efficiency according to the salary regulations of the unit, not lower than the salary regime prescribed by the State.

- For the business sector: From 2021 on, the State periodically adjusts the regional minimum wage on the basis of recommendations of the National Wage Council. Enterprises are entitled to implement salary policy on the basis of negotiation and agreement between the employer and the employee and the representative of the worker’s collective; the state does not directly intervene in the wage policy of enterprises. Implement labor and salary management in state-owned enterprises according to the method of contracting salary costs associated with enterprises’ production and business tasks until 2025 and gradually assigning production and business tasks to enterprises in 2030.

Thus, it can be seen that a living wage has always been the goal of wage policy reform in Vietnam, but achieving it requires a process with high political determination and by many drastic, synchronous and timely measures. The point of achieving this goal is difficult to reach consensus depending on the nature and conditions of each region.

**Discussion and Conclusion**

It can be said that the issue of living wages in Vietnam is currently receiving great attention and development. However, at present, it is not feasible to apply a living wage in Vietnam in accordance with international standards. The first reason is that the concept of “living wage” is still quite new and is currently being applied mainly in developed countries such as the UK, the US and some other countries so it takes a long enough time, there must be movements of living wage unions, social organizations, to negotiate and fight vigorously can only succeed. The second reason is that our awareness of the living wage is limited. A living wage is not understood as a salary that guarantees workers and their families a dignified life, ensuring human rights and the right to enjoy life. In order to match the trend
of the world, ensure economic development as well as ensure the lives of workers, it is imperative that we have a change in the way wage policy is made. Therefore, the living wage needs to be recognized and studied further in Vietnam so that specific policies and management measures can be proposed to be effectively applied in practice.

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