Living Wage for Workers in Conditions of Industrial Development in Vietnam

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Abstract---The living wage is defined by researchers as the salary that workers receive during normal working hours, which is enough to maintain a decent standard of living for themselves and their families. Therefore, it is different from the concept of minimum wage being applied as a basis for paying wages to workers today. Vietnam’s minimum wage is calculated as the minimum to escape poverty, but not the minimum wage to ensure a decent minimum living in a developed economy. The minimum level to escape poverty is often applied in the condition that the country prioritizes economic development, but in the current period, the minimum wage must be a living wage to realize inclusive and inclusive development. Leave behind. In the condition that Vietnam has become a middle-income country, the minimum wage Vietnam needs to aim for must be a living minimum wage. Therefore, this article analyzes the basis of paying a living wage for workers in Vietnam in the context of changing the economic model from the traditional to the industrial development model in Vietnam today.

Keywords---industrial development, living wage, minimum wage, Vietnam, workers.

Introduction

The term “Living Wage” is the lowest wage paid to a person working full-time sufficient to cover basic necessities - including nutritious food, adequate housing, utilities, health care, clothing, travel and education, social relations, along with savings for the future and force majeure events. A living wage is not a luxury (Oxfam, 2019). It is the bare minimum that all working people need to get out of poverty. A living wage is a wage a worker earns in a standard workweek (maximum not exceeding 48 hours) and sufficient to provide a decent standard of living for the worker and his or her family.
According to Anker (2011), “A living wage is a wage that is sufficient to ensure that workers and their families have a basic and sustainable life in accordance with the level of economic development” (Anker, 2011). Sustainable basic life is understood as the assurance of living needs such as food, clothing, clean water, sanitation, medical care, education for children, transportation, and a small for the provision of arising in life (Anker, 2011); A living wage should be paid for specified hours of work, excluding overtime pay, and must be adjusted to keep pace with changes in prices and economic development (Anker, 2011). In 2017, the National Wage Council agreed to increase the average minimum wage by 7.3%; the average increase in 2018 is 6.5%, in 2019 the average increase is 5.3%, this figure in 2020 is 5.5%. The increases are designed to ensure a minimum standard of living for workers and their families (Oxfam, 2019). Currently, up to 69% of workers say they cannot afford their living needs, 31% do not save anything from their salary, 37% are always in debt to friends, 96% never sometimes or rarely go out to eat, 23% of workers are living in makeshift housing (Oxfam, 2019).

According to the Vietnam General Confederation of Labor, it is necessary to calculate the salary mechanism so that employees and their families can meet the minimum living standards: accommodation, health care, education, spiritual culture... and can accumulate room in case of sickness or trouble. This salary must be adjusted when the price slips in order to maintain and balance life. When debating an increase in the minimum wage, the employer's representative provides data on the rate of wage increase that must correspond to the increase in the consumer price index, economic growth, and labor productivity. ... and assumes that the standard of living given by the General Confederation is the average standard of living of workers. We have not yet established a minimum standard of living (according to the Government, the average living standard of Vietnamese people is 2 million VND/month), so what standard of living so that workers can survive, is the basis for their love. business needs and even State management agencies to adjust accordingly (Vietnam General Confederation of Labor; Oxfam, 2019). Thus, the problem is how to make workers enjoy a living wage in today's industrialization in Vietnam, is also the task set for the article and policymakers in Vietnam in the coming time.

**Literature Review**

**Minimum wage**

According to the Merriam - webster dictionary, the minimum wage is the lowest (by law) fixed-wage paid to employed persons (Merriam - webster Publishing, 2021). According to the International Labor Organization - a specialized United Nations body in the field of labor - the body that sets international labor standards, the minimum wage is the minimum wage for a given period of time. determined, cannot be reduced by collective agreements or individual contracts paid to employed employees. Of the total number of members of the ILO as of September 2015, 92% of countries have a minimum wage provision, ie 170 countries. Countries that do not have a minimum wage are often those with incomplete labor legislation or high real wages and do not need to establish a minimum wage. In theory, the minimum wage is to protect the weakest in the
labor market, who are not able to negotiate and, therefore, are guaranteed a minimum wage when entering the labor market (Cahuc & Michel, 1996; Zavodny, 2000; Boeri, 2012; Permatasari & Ratnawati, 2021).

According to the international labor organization, ILO: “Set minimum wages are mandatory for employers and workers concerned, such minimum wages cannot be lowered by employers, workers and workers concerned, either individually or by collective contract unless specifically authorized by the competent authorities. With this concept, all countries participating in the ILO must comply. According to the definition of the Vietnam Labor Code: “Minimum wage is the lowest salary paid to employees who perform the simplest jobs under normal working conditions in order to ensure a minimum standard of living for employees, workers and their families, suitable to socio-economic development conditions” (Article 91, Labor Code 2019).

Living salary

Living wages have been recognized in developed countries and tend to emerge in developing countries through CSR organizations and multinational corporations. The issue of the living wage was mentioned in the ILO’s charter in 1919: “It is the responsibility of the International Labor Organization to promote nations and international programs towards policies concerning wages and earnings, working hours and conditions, ensuring a fair distribution of the fruits of labour, and a living wage for all” (ILO, 1919). At the same time, specifically mentioning the concept of a living wage, in the study Estimating a living wage: A methodological review (2011), Richard Anker, Economist A senior economist who worked at the ILO also said that: “A living wage is a wage sufficient to ensure that workers and their families have a basic and sustainable life in accordance with the level of economic development in each country, country, region, locality” (Anker, 2011).

In the study, The economic impact of local living wage (2006), Jeff Thompson and Jeff Chapman have shown many positive effects of the application of a living wage. in U.S.A. The dropout rate at many businesses in Baltimore, Boston, Los Angeles and San Francisco can be mentioned, helping to increase the profits of companies in Los Angeles by 16% compared to before; morale, work discipline of employees improve (Thompson & Chapman, 2006). Along with that, researchers at Queen Mary University, London in studying the impact of improving wages and conditions of low-income workers in urban areas: The case of the Royal London Hospital (The impact of improved pay and conditions on low-paid urban workers: The case of Royal London Hospital, 2006) also proves the positive influence of living wages on the workers’ lives. Specifically: 30.2% of employees think that their life has been greatly improved; 23.8% of employees think that their life has been improved a lot; 33.3% of workers think that their life is slightly improved (Sokol et al., 2006).
Methodology

Methods of calculating living wages in some countries around the world

There are many different ways to estimate living wages around the world, but the two main ones are the Asian Wage Floor (AFW) and the Global Coalition of Living Wage (also known as the Anker method). Both methods are reliable, but the calculation is different. The living wage as calculated by the Asian Wage Floor is usually higher due to differences in details, approaches and calculations.

Figure 1. A chart comparing Vietnam’s minimum wage with the international standard of living wage
(Source: Oxfam in 2019)

Unit: Vietnamese Dong
MG: Minimum Wage

The Global Living Wage Coalition (GLWC) brings together the participation of international Fair Trade organizations, Forest Stewardship Certification Council (FSC), Textile, Sustainable Agriculture Network/Rainforest Alliance (SAN/RA) and UTZ Sustainable Farming Certification, along with Social Responsibility International (SRI), work towards improving wages in global supply chains. GLWC collaborated with Richard and Martha Anker to develop a method for calculating the living wage. Each living wage calculated once authorized by the GLWC will be made publicly available to increase opportunities for cooperation towards the global living wage goal. The Asian Wage Alliance (AFWA) is an international coalition of unions and labor rights activists working together towards the goal of living wages for garment workers. AFWA was launched in 2005 when trade unions and labor rights activists from across Asia came together to discuss and agree on a strategy to improve the lives of garment workers (Abdullah et al., 2021; Plyth & Craham, 2020; Lestariasih & Dewi, 2021).
AFWA defines its own formula and method for calculating the living wage. Recognizing that the way the garment industry is organized around the world is creating a serious impediment to workers' ability to improve wages and working conditions in developing countries, AFWA calculates wages subsistence - in purchasing power parity dollars - for a wide range of Asian countries. AFWA's goal is to advocate for living wages across Asia to prevent wage improvements in one country from leading to capital mobility - companies moving to other countries, fleeing where wages are or costs increase in the country they are operating in. The purpose of the Asian Wage Floor is to create a social level, a level playing field, by creating a balance of wages.

As mentioned above, the two international calculation methods are also different, so the results on Vietnam's living wage are different, even though they are calculated at the same time. The Anker method is a localized method because it can be used to calculate the living wage for different regions and industries, while the Asian Wage Floor method is a method of calculating the living wage for the region. Asia, which is then converted to living wages for each country in the region based on purchasing power parity in different countries (Adams & Neumark, 2005; Do et al., 2021; Massard et al., 2018).

Based on a survey of consumption in several developing countries in the region, the Asian Wage Floor method assumes that the income distribution of regional consumers is spent on food and non-food items. Non-food is equivalent, that is, 50% of income is spent on food and 50% on non-food. So, after the cost of the basket of goods is calculated, the amount is doubled to come up with the cost per adult. The Anker method, on the other hand, is based on a specific calculation of actual expenditures for both food and non-food costs, including actual housing costs. With this calculation, food costs will be less than half of total food and non-food costs, meaning food costs will not equal non-food costs. products as calculated by the Asian Wage Floor (Chan & Chan, 2004; Anker & Anker, 2017; Lemos, 2009).

The Anker method calculates food costs based on the standard calories recommended for an adult by countries, for example Vietnam is 2,300 calories recommended by the Institute of Nutrition, while the Asian Wage Floor method based on 3,000 calories - is Indonesia's recommended calorie intake, the highest in Asia today.
The main difference between the two methods is the number of people with income in the household. Anker method is based on census data and field survey in the locality where the living wage is calculated to calculate the number of earners in the household, for example in India 1.58 earners in a household in 2018, or in Vietnam 1.78 people with income in a household in 2016. A highlight of the Asian Wage Floor method is the integration of unpaid housework into wages. Food and food all need processing, including many things such as preparation, washing, preliminary processing and cooking. After eating, it is necessary to clean up, wash dishes and clean the kitchen. Houses and clothes also need to be swept, cleaned and laundered. These jobs are all done, often by women, and are unpaid.

Research by OCED in 2018 shows that women’s housework hours are often much higher than men’s. In India, for example, women spend almost 6 hours (351.9 minutes) a day on housework while men spend less than an hour (51.8 minutes). Or Chinese women do housework for nearly 4 hours a day (234 minutes) and men 1 and a half hours (91 minutes). Whether men or women, the total amount of time doing housework accounts for nearly a third of the day, as in India it is 6.7 hours/day or China is 5.5 hours/day (OECD, 2018). In Vietnam, according to the 2019 Labor and Employment Survey, Vietnamese women spend 11 hours/week on cooking, 0.7 hours/week compared to men and 23.5 hours/week. less than 11 hours/week of housework (including cooking) compared to men, bringing the average total working hours of women during the week to 62.5 hours/week (including unpaid housework) 51 hours/week compared to men. The worldwide struggle for hundreds of years to claim the right to enjoy 8 hours of work, 8 hours of play and 8 hours of rest for people, today’s reality shows that housework time has been lost almost the end of human playtime.

Housework takes a lot of time and labor is not small. From the perspective of regenerating labor to have the strength to work the next day and also to protect the reproductive health of female workers, housework also needs to be included in the salary so that the employee can compensate for the labor. The act of losing or paying the maid or buying ready-made food is often more expensive to reduce the
amount of cooking work. Otherwise, the working hours of workers, especially women, will increase significantly, that is not taking into account the time spent traveling on the road and overtime (if any), even care time. take care of sick children and parents. The calculation of food costs is only the cost of raw materials and does not include the costs of turning the raw materials into edible food and related service work. Housework is a type of informal employment. Including housework in wages acknowledges the value of these jobs and contributes to the formalization of informal employment (Tabachnick & Fidell, 1996; Nyandra et al., 2018; Tri et al., 2021).

**Applying to the calculation of living wage in Vietnam**

The current minimum wage in Vietnam is being calculated with three basic components:

Food costs are calculated based on a basket of goods and consumption habits of the population with food consumption equivalent to 2,300 calories/day (the required calorie intake as recommended by the Vietnam Institute of Nutrition for people). Vietnam in general).

![Figure 3. Vietnam in general](image)

Calculation data are taken from the results of the survey on residential living standards of 9,000 households with wage earners, using the Household Living Standards Survey Dataset - of the General Statistics Office. On a basket basis with average consumer prices and the recommended amount of each food equivalent to total calories of 2,300 Kcal.

According to international calculation, the minimum living wage in Vietnam, according to the calculation of the Asian Wage Floor, in 2016 is VND 8,949,153 and according to the calculation of the Global Living Wage Alliance (Anker method). is 5,213,825.5 VND. Thus, even the international calculation method, different calculation methods give different results. Meanwhile, the minimum wage calculated according to the calculation of the National Wage Council gives a much lower result. If we take Vietnam's average minimum wage (refer to 2018 minimum wage figures) compared with the international minimum living wage for Vietnam (refer to minimum wage figures for 2016) there is a rather large gap: the minimum wage in Vietnam's calculation is only 37%-64% compared to the international calculation.

Not only is Vietnam's minimum wage lower than the international calculation, but the food paid to workers in Vietnam is also much lower than the international minimum living wage. According to a survey conducted by the Institute of
Workers and Trade Unions in collaboration with Oxfam in 2018, a survey of 6 Vietnamese garment enterprises with nearly 6,000 workers, major export products for the US, EU, and Australian markets, excluding overtime, 99% of surveyed workers earn less than living wage according to the Asian Wage Floor calculation method and 74% of workers earn less than living wage according to Anker method. If overtime is included, 99% of workers earn less than living wage according to the Asian Wage Floor method and 52% of workers earn less than Anker's living wage. Thus, if only the work completed in standard working hours is counted, excluding allowances, the actual wages of many surveyed garment workers are not enough to live at the most basic level (Wong et al., 1999; Overell, 2009; Vroom, 1964; Sun & Hu, 2020).

The calculation method of Vietnam has some shortcomings as follows:

- First, calculate the cost of food about the low-spending group in the society. Comparison of the basket of goods in 2020 compared to 2018 (information provided by the General Statistics Office of Vietnam): The basket of goods with most of the items decreased in quantity, especially good nutrition items such as beef, chicken, duck, fresh shrimp and fish, orange juice, mango, milk of all kinds are reduced (while the price of these items increases: if the price increases, the quantity will decrease?). Household expenditure data (9000 households with wage earners) is divided into 10 groups from group 1 to group 10 according to the level of expenditure from low to high (group 1 has the lowest spending level and group 10 has the lowest level of expenditure). the highest spending on food). On that basis, the reference group on food expenditures selected as the basis for calculating food costs for the minimum wage is group 2-3, which has an average calorie consumption of approximately 2,300 calories. Spending on food is the expenditure of groups 2-3, which are poor groups in society, have a low quality of life, often have to spend frugally. Taking expenditures of groups 2-3 to calculate the minimum standard of living means applying the lifestyle of the poor, the nutrition of the poor, the prices of the poor, the expenditure of the poor, to all workers - so no different from “multiplying poverty”.

- Second, the non-food ratio has not yet reflected the development. The non-food rate is calculated at the rate of 48-52% (52% non-food versus 48% food). This rate is also the reference rate from groups 2-3, so far not suitable because: the more developed the country, the better the living standard, the more spending on non-LTTP must increase. Referring to other developing countries, some countries are poorer than Vietnam, but also have a higher rate of non-food products than Vietnam such as Cambodia: 46-54; Sri Lanka: 47-53; Philippines: 47-53; Fiji: 34-66; India: 45-55; Mongolia: 45-55. The low non-food ratio leads to a low minimum wage.

- Third, currently, the cost of housing is calculated according to the estimation method. The area I is charged at 431,000 VND/person and if two people are 862,000 VND. This level cannot rent accommodation in the true sense of
accommodation, but only accommodation for the night. Housing costs do not yet reflect internationally acceptable housing standards for Vietnam - acceptable housing must have a durable structure; Sufficient living space; Use safe water; Use of toilets and sanitary facilities; Adequate lighting; Adequate ventilation; Separation from the animal quarters; Protect from cold, damp, heat, rain, wind or other health threats. Acceptable housing is not located in: Unsafe areas; Dangerous area; Areas that do not treat waste; Non-draining area; The area lacks emergency services. Estimated housing costs also do not reflect acceptable housing standards according to Vietnam’s regulations: The usable area of a room must not be less than 10m2; clearance width not less than 2.40m; clearance height at the lowest place is not less than 2.70m; Living rooms must have doors and windows to ensure ventilation and natural lighting requirements; Covering walls and partition walls between rooms must be made of materials meeting fire prevention and waterproofing requirements; The roof must not be covered with combustible materials, must ensure no leakage; The floor of the house must be tiled or covered with cement mortar and must be higher than the road to the house, yard, and summer; Having enough lights (at least one 40W electric bulb for an area of 10m2), if in a group, there must be at least one electrical outlet for one person; If the living room is self-contained, the toilet area must have a wall separating it from the sleeping place; Ensure hygienic water supply according to specialized laws and regulations; Having fire prevention equipment as prescribed; The average usable area is not less than 5m2 per person (according to Article 3 of Circular No. 19/2016/TT-BXD dated June 30, 2016 of the Ministry of Construction). Low housing costs make minimum wages low and affect people’s quality of life.

- Fourth, the minimum salary does not include the costs of social insurance and health insurance:
  That employees have to pay from their income (10.5%), that is, the amount they receive after paying health insurance and social insurance and therefore, the minimum wage minus the amount of health insurance and social insurance will make the salary they actually receive less than the minimum wage calculated, and thus do not guarantee the minimum standard of living that has been calculated for workers.

- Fifth, the proposed increase of the technical team does not take into account the increase in GDP and increase in labor productivity:
  Although when discussing on forums, mass media, arguments were made to ask for an increase in the minimum wage, we have heard that GDP increases, labor productivity increases, the minimum wage must increase. However, so far, there is no place in the minimum wage calculation formula that reflects this increase. This shows that the minimum wage has not been paralleled, not taking into account the growth of GDP and labor productivity (if any).

**Conclusion and Discussion**

Vietnam's minimum wage is the minimum to escape poverty, but not the minimum wage that guarantees a decent minimum life in a developed economy. The minimum level to escape poverty is often applied in the condition that the country prioritizes economic development, but in the current period, the
minimum wage must be a living wage to realize inclusive and inclusive development, no one left behind. Therefore, in the condition that Vietnam has become a middle-income country, the minimum wage Vietnam needs to aim for must be a living minimum wage (Dumitrana et al., 2009; Gregg et al., 2016; Henderson, 1997). This means that the formula for calculating the minimum wage in Vietnam, which has been applied since 2010 until now, needs to be changed to eliminate inadequacies in the calculation of the minimum wage in order to reflect the minimum wage in the true sense of the word. living minimum, meeting the minimum standard of living, basic but decent for workers.

In the context that a living minimum wage cannot be achieved through the minimum wage setting consultation of Vietnam’s National Wage Council, trade unions need to actively negotiate a living minimum wage for workers. Trade unions need to reform their organizational structure, use their strength and weapons to strongly promote substantive collective bargaining in order to achieve a living wage for workers, and advocate for higher-level bargaining (Parmenter, 2015; Armstrong & Murlis, 2007; Gallet, 2004). Living minimum wage in Vietnam’s National Wage Council.

In the process of integration, Vietnam needs to consult more experiences from countries that have applied a living wage to have a solution for the application of a living wage in accordance with the actual situation of the country. Besides, raising awareness about living wage is also one of the necessary jobs. According to the analysis above, the concept of a living wage is quite new to our country, so in order to better understand and apply this concept, we need to popularize the concept and how to calculate a living wage to the next level. regions, clusters, businesses, and employees; encourage enterprises to promote the application of a living wage, uphold the implementation of social responsibility of each enterprise and each industry. Businesses and employees can compare how much the current salary paid or received is different from the living wage, thereby making adjustments. In addition, we also need to develop policies to encourage and recognize businesses, especially focusing on businesses that are branches of multinational companies or outsourced to brands with commitments and standards, living wage standards. The government can indirectly influence through international organizations, NGOs, brands to influence employers in outsourcing enterprises, multinational companies to achieve commitments. implement a living wage (Silverthorne, 1992; Curtis et al., 2009; Roos, 2005).

References


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