

LEGAL UPDATE:

NEW LEGAL INSTRUMENT ON REGIONAL MINIMUM WAGE FROM 01 JULY 2022

June 24, 2022

To the great satisfaction of employees over the past 02 years, the Regional Minimum Wages will be officially increased by approximately 6% from July 1, 2022. On June 12, 2022, at the proposal of the Minister of Labour, War Invalids and Social Affairs, the Government enacted Decree No. 38/2022/ND-CP prescribing the statutory minimum wages paid to employees working under labour contracts that will be in force from the beginning of July (“**Decree 38**”). The esteemed enterprises should be aware of the considerable changes regarding the minimum wages applied to employees who work in Vietnam.

Increase of 6% in the Regional Minimum Wage from July 01

Monthly Regional Minimum Wages of Vietnam			
Region	Prior to July 01, 2022 (under Decree 90)	From July 01, 2022 (under Decree 38)	Increase level
Region I <i>(Hà Nội and HCM City’s urban areas)</i>	VND 4,420,000 (US\$ 190)	VND 4,680,000 (US\$ 203)	VND 260,000
Region II <i>(Hà Nội and HCM City’s rural areas, along with major urban areas in the country like Cần Thơ, Đà Nẵng and Hải Phòng)</i>	VND 3,920,000 (US\$ 169)	VND 4,160,000 (US\$ 180)	VND 240,000
Region III <i>(provincial cities and the districts of Bắc Ninh, Bắc Giang and Hải Dương provinces)</i>	VND 3,430,000 (US\$ 148)	VND 3,630,000 (US\$ 157)	VND 210,000
Region IV <i>(the rest of the country)</i>	VND 3,070,000 (US\$ 132)	VND 3,250,000 (US\$ 141)	VND 180,000

As a consequence of such elevation, plenty of interest will be given to employees, for instance, rise of wages for furlough employees, rise of wages in case of reassignment against labour contract, rise of monthly unemployment allowances, etc.

First legal instrument on minimum hourly wage

Decree 38 is the first legal document regulating the minimum hourly wage rates based on the principle of the prevailing Labour Code 2019. Accordingly, the statutory minimum hourly wage is the minimum wage used as the basis for any agreement between employers and employees on hourly salary and payment. The

job- or position-based salary paid for every working hour to an employee who has fulfilled his/her labor productivity norms or tasks as agreed shall not be lower than the statutory minimum hourly wages.

In fact, according to the report of the International Labour Organization (ILO), Belgium, Estonia, France, Luxembourg, Malaysia, Romania and Ukraine all provide both an hourly and a monthly minimum wage. Vietnam deployed the hourly minimum wages system after consultation with experts of this organization.

Depending on each relevant region, the minimum hourly wages are guaranteed by the Government at the following rates:

Hourly Regional Minimum Wages of Vietnam	
Region	Hourly Minimum Wage 2022
Region I	VND 22,500 (US\$0.97)
Region II	VND 20,000 (US\$0.86)
Region III	VND 17,500 (US\$0.75)
Region IV	VND 15,600 (US\$0.67)

In case of weekly or daily remuneration, the wages paid to employees, when converted into monthly or hourly salary, shall not be lower than the statutory monthly or hourly minimum wage.

Abrogation of salary at least 7% higher than the regional minimum wage applied to skilled workers

Apart from the new regulation on minimum hourly wage, Decree 38 abrogates the policy on the salary at least 7% higher than the regional minimum wage remunerated to the employees who have had vocational training as stated in the previous guides.

It means that the aforementioned regional-based minimum wage will be applied to all employees working under a labour contract in accordance with the provisions of the Labour Code.

As a general rule, the regional-based minimum wage is applied for a one-year period and then considered adjustment. Notwithstanding, given that the Covid-19 pandemic in the beginning of 2020 which has had a negative impact on the economy, society, production, business and employment as well as the daily life of workers, the regional minimum wage prescribed by Decree 90 has been maintained for over 02 years according to the recommendation of the National Wage Council.

Furthermore, despite the significant control over the disease by the Government, a part of employees fall into difficult circumstances owing to furlough, job loss, decline in income in contrast with the climb of goods and services. This results in the supply-demand gap in the labour market.

From the above fact, the Governmental instructions on the monthly and hourly regional-based wage contribute to improving and supporting the recovery of the labor market and employees' daily life. Thus, enterprises can recover their

business, and maintain harmonious, stable and progressive labor relationships with their workforce.

Actions you should take now

Subject to the novel regulations, it is advised that enterprises shall review and make appropriate modifications to their agreements in labour contracts with employees, collective bargaining agreements as well as other internal regulations and rules.

If you would like to obtain further information or discuss issues in relation to the in-force Decree 38 in further detail, please do not hesitate to contact us.

For more information, please contact:



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