

The Fair Labor Association's 2022 Việt Nam Wage Trends Report and Recommendations

SUMMARY

Việt Nam's [minimum wage](#) has been revised four times since 2019. These changes by the Vietnamese government ensure that minimum wages for workers in the garment sector have increased steadily coming out of the COVID-19 pandemic. However, this report shows that the average monthly net wage for workers from FLA member companies shows a significant living wage gap of 22.4% (1,691,574 VND, or \$69.70) in 2022.¹

ANALYSIS

As measured by FLA, average monthly net wages in Việt Nam fluctuated as shown in Figure 1.² Net wages increased significantly pre-pandemic, followed by a sharp decline in 2020 due to COVID-19. While there have been modest recoveries in 2021 and 2022, the average wage still lags behind pre-pandemic levels, indicating a persistent wage gap between 2019 and 2022.

The minimum wage in Việt Nam is [categorized into different regions](#), considering the cost of living variations across the country. There are four different regions, with Region One being the highest and Region Four the lowest in terms of minimum wages and living wages. In this report, FLA compared the average net wage against wage benchmarks in Region One, as it has the highest minimum wage. Figure 1 shows that FLA companies continue to ensure that factories pay the minimum wage as it increases year over year.

However, more progress is needed to meet the Global Living Wage Coalition (GLWC) living wage estimates in Vietnam. Figure 1 illustrates the change in FLA average monthly net wages in Việt Nam from 497 factory data sets from FLA companies.³ Compared to the 2019 GLWC's living wage

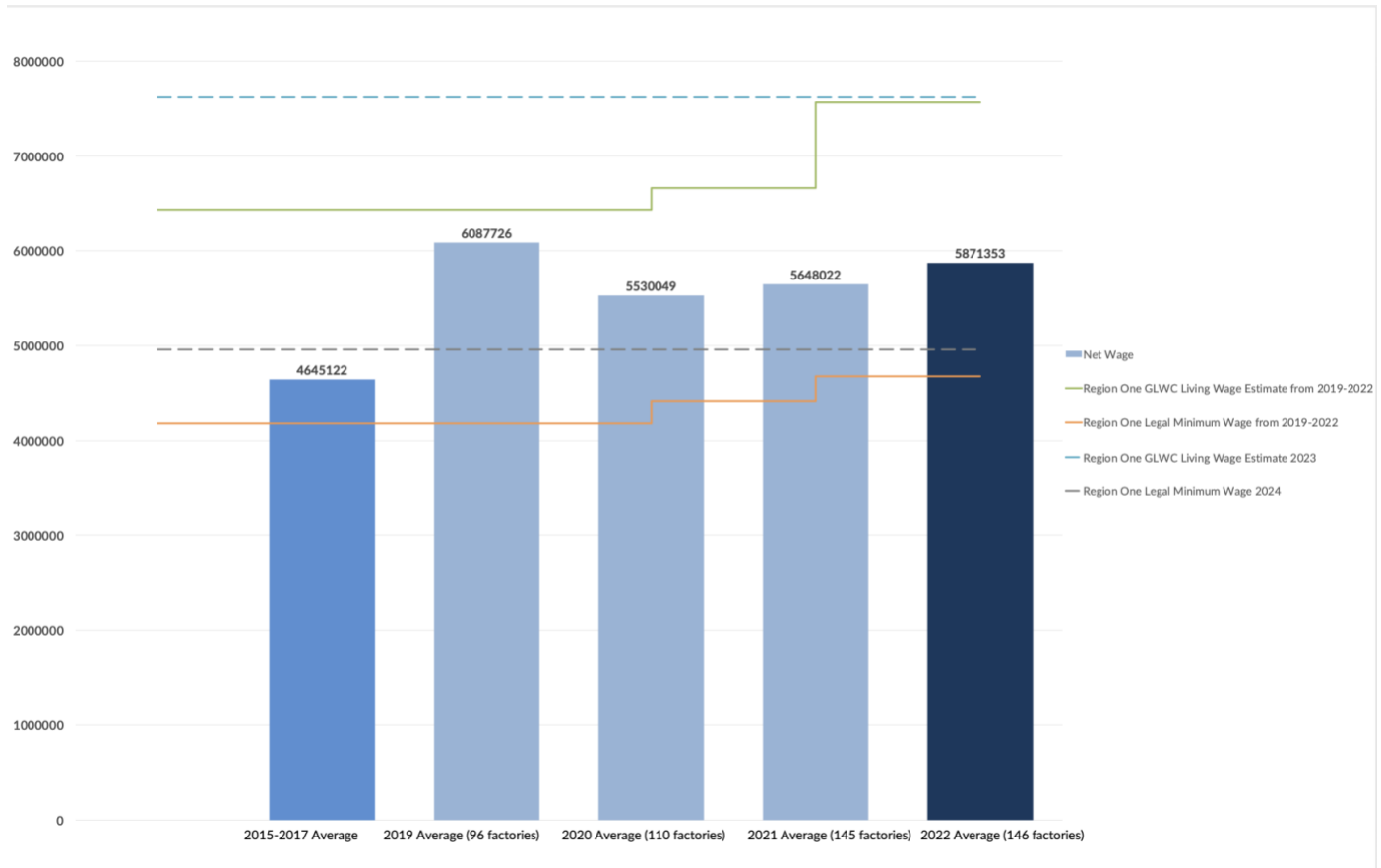
¹ The Fair Labor Association's Fair Compensation Dashboard allows companies to calculate the average worker's wages in a manufacturing facility and measure those wages against living wage benchmarks. All FLA member companies must collect and analyze wage data from a representative sample of their supply chain. FLA's tools and dashboard are also available for use by non-member companies on a subscription basis.

² FLA's net wage is used for living wage analysis and aligns with the Ankers' methodology for the GLWC Estimates. It includes the basic or contracted wage, in-kind and cash benefits, and excludes taxes and deductions. The average does not include leave, incentive, nor overtime pay.

³ This analysis is an aggregated from factories of FLA member companies sourcing in the years indicated, last updated on November 30, 2023. Therefore, the chart indicates general trends over time rather than changes in any individual facility.

estimate for Việt Nam’s Region One, the 2019 FLA average is 5.4% (349,369 VND, or \$14.40) below the living wage estimate. Meanwhile, the living wage gap between FLA average and the living wage estimate increased by 31.4% (557,190 VND, or \$22.90) from 2020 to 2022. Even though FLA companies’ monthly average net wages have increased since 2021, workers’ wages have not recovered, and the living wage gap grows year over year in Việt Nam.⁴

FIGURE 1: WORKER’S AVERAGE MONTHLY NET WAGES FROM FLA COMPANIES, 2015-2022



In addition to wage analysis, FLA will conclude its Việt Nam living wage pilot in June 2024.⁵ This pilot selected two factories in Việt Nam that provided wage and policy data, in-depth interviews with workers and managers, and reviewed several buyers’ purchasing practices. FLA provided buyers with recommendations to improve costing practices and support worker engagement and social dialogue at the factories. The pilot also studies how buyers and suppliers prepare for increased labor costs due to minimum wage increases. Upon completion of the pilot, FLA will share findings, challenges, and best practices to support understanding progress towards living wages in garment supply chains.

⁴ Figure 1 includes the upcoming Region One 2024 legal minimum wage, and Region One 2023 GLWC living wage estimate for current context of the wage data from 2015-2022.

⁵ The pilot is funded by the Initiative for Global Solidarity implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH and supported by the German Federal Ministry for Economic Cooperation and Development.

RECOMMENDATIONS FOR FLA MEMBER COMPANIES IN VIỆT NAM

To drive progress on purchasing and production practices that support living wages for workers, FLA recommends that member companies:

- Work with their suppliers to ensure costing and purchase orders cover the new minimum wage in all applicable purchase orders; ensure the updated minimum wages and salary structures are included in costing considerations before July 1, 2024.
- Refer to the region-specific GLWC living wage estimates to support living wage targets for purchasing, costing, and suppliers.
- Create a level of trust with suppliers to ensure suppliers such that they can provide feedback to companies if purchase orders do not cover increased labor costs.
- Support suppliers and workers in improving social dialogue and collective bargaining by facilitating training and capacity building between management, supervisors, and workers on social dialogue incorporated in employment policies, the role of worker representative structures, and bargaining rights.
- Update supply chain wage data analysis and actions taken to implement their company's fair compensation blueprint.
- Develop sustainable plans with their suppliers and production facilities to improve purchasing and production practices that support progress of workers' wages to meet the GLWC estimates for Việt Nam; plans should cover:
 - Long-term financial commitments that address closing the living wage gap;
 - Supporting worker representation in production, compensation, and employment practices; and
 - Investment in manufacturing and skills training to improve energy and labor efficiency.

APPENDIX: WAGE BENCHMARK METHODOLOGY AND REFERENCES

Legal Minimum Wage	
2019 value: 4,180,00 VND	Source: Việt Nam Briefing
Việt Nam set region-based minimum wages for workers. Region One covers urban Hanoi and Ho Chi Minh City and has a monthly minimum wage of VND 4,180,000.	
Region: Region One	Gross or Net: Gross

Legal Minimum Wage	
2020 value: 4,420,00 VND	Source: Việt Nam Briefing
Việt Nam set region-based minimum wages for workers. Region One covers urban Hanoi and Ho Chi Minh City and has a monthly minimum wage of VND 4,420,000. This is a hike of VND 240,000 from the previous VND 4,180,000.	
Region: Region One	Gross or Net: Gross

Legal Minimum Wage	
2022 value: 4,680,00 VND	Source: Việt Nam Briefing
The government issued a June 12, 2022 order (Decree 38/2022/ND-CP) prescribing statutory minimum wages paid to employees working under labor contracts. Accordingly, the statutory minimum wage per month has increased by 260,000 VND.	
Region: Region One	Gross or Net: Gross

Legal Minimum Wage	
2024 value: 4,960,800 VND	Source: Việt Nam Briefing
Việt Nam is set to implement a 6% increase in the minimum wage starting in July 2024, following a unanimous decision by the National Wage Council.	
Region: Region One	Gross or Net: Gross

Global Living Wage Coalition Living Wage Estimate	
2019 value: 6,437,096 VND	Source: Global Living Wage Coalition
The GLWC has calculated a living wage for garment workers in Urban Ho Chi Minh City. The calculation is based on a survey of the local cost of acceptable minimum levels of food (based on a model local diet), quality of housing, and	

other costs including healthcare and education. The calculation assumes the average family has four members (two adults and two children) and 1.78 full-time earners. The gross living wage for urban Ho Chi Minh City is calculated as VND 6,435,864 per household per month in 2016 and adjusted for inflation. The official net living wage (take-home pay) described in the report is VND 5,760,098 in 2016 and is adjusted for inflation to reflect current prices.

Region: Region One	Urban or Rural: Urban
Household Size: 4	Gross or Net: Gross

Global Living Wage Coalition Living Wage Estimate	
2020 value: 6,664,433 VND	Source: Global Living Wage Coalition
The net living wage and cost of a basic but decent living standard for a family is updated to the study month (March 2020) to account for inflation since the original study (March 2016). Without doing so, the net living wage estimated in 2016 would not be sufficient for workers to have a basic but decent standard of living in 2020 because the purchasing power of the living wage would have decreased. Similarly, living expenses for a reference family are also updated to March 2020 to account for inflation.	
Region: Region One	Urban or Rural: Urban
Household Size: 4	Gross or Net: Net

Global Living Wage Coalition Living Wage Estimate	
2022 value: 7,562,927 VND	Source: Global Living Wage Coalition
GLWC estimate of the net living wage (i.e., take-home pay) required is VND 7,562,927 (\$316) per month for minimum wage Region One of Việt Nam for November 2022.	
Region: Region One	Urban or Rural: Urban
Household Size: 4	Gross or Net: Net

Global Living Wage Coalition Living Wage Estimate	
2023 value: 7,616,317 VND	Source: Global Living Wage Coalition
The updated net living wage for Minimum Wage Region One for June 2023 is VND 7,616,317 (\$324) per month.	
Region: Region One	Urban or Rural: Urban
Household Size: 4	Gross or Net: Net

ABOUT THE FAIR LABOR ASSOCIATION

The Fair Labor Association (FLA) promotes human rights at work. We are an international network of companies, universities, and civil society organizations collaborating to ensure that millions of people working at the world's factories and farms are paid fairly and protected from risks to their health, safety, and well-being.