VIETNAM GENERAL CONFEDERATION OF LABOUR
INSTITUTE FOR WORKERS AND TRADE UNIONS

REPORT
A study on trade union strategies on minimum wage determination and setting in Vietnam

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THE ABBREVIATIONS

CBA	Collective bargaining agreement
CLA	Collective labour agreement
CPI	Consumer price index
FDI	Foreign direct investment
GDP	Gross domestic product
GINI	Index of income inequality distribution
MOLISA	Minitry of Labour - Invalids and Social Affairs
GSO	General Statistics office (Vietnam)
MW	Minimum wages
VGCL	Vietnam General Confederation of Labour

REPORT
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1. BACKGROUND OF THE STUDY

After 25 years of pursuing a process of renovation, a socialist-oriented market economy, pushing up industrialization, modernization and international integration, Vietnam has made positive strides and seen positive growth and in socio-economic development. Living standards of the people (including workers and their families) and social benefits have been significantly improved. The average GDP per capita of Vietnam in 2010 reached 1,100 USD, in 2011 over 1,300 USD, surpassing the threshold of a poor country.

Currently, there are three types of minimum wage in Vietnam: general minimum wage, regional minimum wage and sectorial minimum wage. Minimum wage is established as the lowest wage level paid to the employees who are unskilled, do the simplest jobs in the normal working conditions, able to meet minimum living standard of workers and their families. However, minimum wage in Vietnam is rather low, unable to meet the basic needs of workers' lives. At the national level, the Vietnam General Confederation of Labour (VGCL) has participated actively in every adjustments of minimum wage to match with minimum living standard. However, the gap between minimum wage and minimum living standard has not been narrowed yet.

In order to have a more comprehensive study and evaluation of the wage issues and economic basis for trade union dialogues on wages at different levels, it is important to conduct deep analysis and review of information and data closely related to labour, employment, economic growth, wages, poverty.

2. OBJECTIVES OF THE STUDY

-To analyse practical and legal barriers in determination of MW in Vietnam and formulation of trade union's action plan.

- To enhance trade union status in national dialogue with Government and employers' representatives on MW.

- To provide legal basis for trade unions to improve capacity of collective bargaining on wages at different negotiation levels.

- To make contributions to the Country's Program on Decent Work.

3. STUDY METHODOLOGY

- Synthetise, analyse research projects, study papers, survey, investigation.. by the government, institutes, offices, ILO..; articles, literatures of trade unions, special journals, reviews..

- Interviews in depth with specialists in making wage policy and CBA.

- Analyse and use relevant information from websites of Government, GSO, National Assembly (NA), VGCL, Vietnam Chamber of Commerce and Industry (VCCI), Vietnam Cooperative Alliance (VCA).

- Seminar, workshop, debate with specialists.

4. STUDY DURATION

The study was conducted in one and half months, from 15 November to 30 December 2012.

5. STRUCTURE AND SUMMARY OF THE STUDY

Apart from the introduction to the study, conclusion and references, the study consists of 5 parts:

- Population and labour: As of end 2011, Vietnam's population reached 87.84 million. The average demographic growth rate tends to remain at 1.1 - 1.2% per year as it has been over the past 10 years. Currently, Vietnam's workforce accounts for 59% of the total population (51.9 million people) regarded as "golden age population". Despite some positive changes, the Vietnamese workforce reveals several shortcomings such as low education background (only 25.7% graduated from high school), low technical skills amongst workers engaged in labour relations (40%). The problem of “surplus of masters, shortage of workers” is commonplace in all sectors, areas. In addition, labour force in informal sector is fairly high. Employment benefits, salary, social security and social welfare does not exist or are not secured.

- **GDP Growth**: After 25 years of renovation, the socio-economic development of Vietnam has recorded positive growth, bringing about impressive improvement of the people’s living standards and social welfare, great successes in poverty reduction. Vietnam has achieved 6 out of 8 targets of the Millennium Development Goals (MDG). However, these positive signals has been negatively affected by setbacks such as CPI and unstable and unsustainable economic growth. General people’s living standard increased positively over economic growth but income inequality remained high. National poverty standard has increased almost twofold in every 5 years but still in low value compared to GDP per capita and average income. Therefore, livelihood of the people in general, workers and their families in particular, are still subject to many negative effects.

- **Workers’ wages and income:** Although the Labour Code stipulates that minimum wage is the lowest remuneration paid to unskilled workers under normal working conditions to ensure basic living needs of themselves and their families, over the last 10 years, minimum wage that has been adjusted almost every year never catches up minimum living standards. This causes negative impact on the workers’ life. However, due to the weakness of tri-partite mechanism and absence of a National Wages Council, the participatory setting of minimum wage at national level reveals many shortcomings. Wage bargaining at industrial and local level as well as negotiation of CBA face many difficulties and lack of effectiveness..

- The mechanism of setting minimum wage in Vietnam is rather similar to other countries and international practices. That is the lowest wage level paid to the unskilled employees who do the simplest jobs in normal working conditions, to ensure their normal life and their working health reproduction. However, the current way of setting of MW at national level still bears a imperative characteristic, lack of negotiations and bargaining among parties concerned. This requires a great role of trade unions in the institutions of a National wage council to be set up and operated in the near future.

- **Collective bargaining is one of the most important tasks of trade unions**, in which, wage bargaining is the most important issue. However, this process encounters some obstacles related to low union density (currently there are only 37 thousands unionised enterprises with a total 5 million members); the coverage of CBA is not high (only 65.2% of organised enterprises), the quality of dialogue - negotiation is not good. There is no real bargaining on wages at unions of upper level. This is a major problem in labour relations.

6. STUDY FINDINGS

6.1. WORK FORCE IN TOTAL POPULATION.

6.1.1. Work force and population

According to GSO, at the end of 2011, national average population approximately reached 87.84 million, an increase of 1.04% over 2010. However, gender ratio of new-born children remains at high level with 111.9 boys /100 girls, compared to the figure: 111.2 boys/100 girls in 2010. As a result, the percentage of women in the total population continued to decline slightly in 2011, accounting for 50.5% of the total population and reflecting the gender imbalance at birth in recent years. Urban population continues a positive increase to reach 31.7% in 2011 (see Table 6.1.1).

Table 6.1.1. Population and the basic proportion of population, 2001 - 2011

Index	2001	2005	2006	2010	2011	Average growth (%)		
						2001-2005	2006-2011	2001-2011
Number (1000 persons)	78,621	82,392	83,331	86,933	87,840	1.2	1.1	1.1
Growth rate (folds)	1.28	1.17	1.12	1.05	1.05			
Female population (%)	50.8	50.8	50.8	50.6	50.5	1.2	1.0	1.1
Urban population (%)	24.5	27.1	27.7	30.5	31.7	3.7	3.9	3.7

Source: GSO, 2010 - 2012.

During the period 2001 - 2011, the population growth reached 1.1%, male/female ratio/year was 1.2%/1.1%. The selection of gender at birth causes gender imbalance, which leads to social problems not only in marriage but also in other social problems like trafficking of women, kidnapping of little girls, prostitution... The urban population has increased rapidly, about 859 thousand people/year with an average growth of 3.8%/year, compared to 0.1% in rural area. This is the result of industrialization, modernization, migration and the "upgrade" of administrative units from villages, communes to ward/towns.

Figures in Table 6.1.2 show the growth in number and in proportion of the workforce by gender and areas during the period 2001-2011 as follows:

In 2011, the country’s workforce was 51.9 million people, of which, male workers were 26.9 million, increased 2.9%, accounting for 51.6% of the total work force; female workers were over 25 million people, increased 1.6%, accounting for 48.4% of the total workforce. Urban workforce reached 14.8 million, increased 2.3%, accounting for 28.6%. Rural labour force reached 37.1 million, increased approximately 1%, accounting for 71.4%.

During the period 2001 - 2011, national work force increased averagely by 1.1 million people, average increased 2.6%/year, twice times more than the population growth rate. The growth rate of labour force in urban areas was higher than that in rural areas (4.8% per year compared to 1.9 %).

In 2011, the rate of people participating in the workforce was 77.3%, though a drop of 0.1% compared to 2010, generally continued to increase over the last 10 years (increased 4.3 % compared to 2001). The labour force participation rate in rural areas was over 80%, higher than in urban areas (70%). However, this gap tends to narrow (from 11.2 % of rural/urban workforce ratio in 2001 to 10.6% in 2011). This shows some achievements in creating new jobs in urban areas.

Table 6.1.2. Work force population and structure by sex and areas, 2001 - 2011

Index	2001	2005	2006	2010	2011	Average growth (%)		
						2001-2005	2006-2011	2001-2011
Number (thousand persons)	40,108	44,328	45,579	50,837	51,854	2.6	2.6	2.6
Growth rate (times)		1.026	1.027	1.031	1.020			
By sex (%)								
Male	50.4	51.3	51.4	51.4	51.6	3.0	2.7	2.9
Female	49.6	48.7	48.6	48.6	48.4	2.1	2.5	2.3
By sector (%)								
Urban	23.3	25.5	25.4	28.0	28.6	4.4	5.1	4.8
Rural	76.7	75.0	74.6	72	71.4	2.0	1.7	1.9

Source:

- Ministry of Labor, War Invalids and Social Affairs: Surveys of Workers and Employment 2001, 2005 and 2006.
- GSO: The Report on Labor and Employment 2010, 2011 by Institute of Labour and Social Affairs Science

Figures in Table 6.1.3 show the labour force participation rate tends to increase, in which, the number of male workers is always higher than that of females (82% in 2011, compared to nearly 73% in previous years). It is worth noting that the gender gap has expanded (from 7.2 % in 2001 to 9.2 % in 2011). This reflects the increase of women in education and the disproportion of women in non-economic activities and household works at the same time.

Table 6.1.3. Proportion of workforce participation by sex and areas, 2001 - 2011

Classification \ Year	2001	2005	2006	2010	2011
General	73.0	71.1	70.3	77.4	77.3
Male	76.8	75.5	74.7	82.0	82.0
Female	69.6	67.0	66.1	73.0	72.8
Urban	64.8	63.8	62.7	69.5	70.0
Rural	76	73.9	73.3	81	80.6

Source:

- Ministry of Labor, War Invalids and Social Affairs, Surveys on Labour and Employment 2001, 2005 and 2006.
- GSO, the Report on Labor and Employment 2010, 2011 by Institute of Labour Science and Social Affairs

The trend of improvement of education background in workforce during the last decade shows positive signs in endeavours moving toward skilled labour force in the future. In 2011, the ratio of workforce finishing primary education decreased from 30% to 24.8%, while those finishing junior secondary and high school increased respectively by 0.55% and 8.2 % (see Table 6.1.4).

The education background of male workers is higher than that of female workers. In 2011, 5.3% of female workers were illiterate while this figures among male workers was 3.1%. In terms of areas, 45.6% of workforce in urban areas graduated from junior secondary school while this rate in rural areas was 17.66%.

Table 6.1.4. Labor force structure by education, sex, areas, economic regions in 2011

Unit: %

Index	Illiteracy	Not finishing primary school	finishing primary school	finishing junior secondary school	finishinghigh school	Total
Sex						
Male	3.1	10.8	24.3	34.4	27.5	100,0
Female	5.3	13.9	25.3	31.8	23.8	100,0
Urban-Rural						
Urban	1.6	7.1	18.0	27.7	45.6	100,0
Rural	5.1	14.4	27.5	35.3	17.7	100,0

It can be seen from the above figures that the population growth has slowed down but still remains at high rate. Vietnam is currently enjoying a “ golden population structure”. This exerts strong effects on salary, income in general and MW in particular. As labour supply increases faster than labour demand, a competition on labour market is unavoidable and as result, workers need to accept lower wages thus lowering the wage floor, keeping MW always at low level, unable to meet minimum living standard.

Workers’ education has been improved, however, has almost no impacts on market’s wages. Nevertheless, a number of workers with high skills and work experiences can get high pay and become competitive on labour market.

6.1.2. Foreign workers in Vietnam

In the era of economic integration, sending Vietnamese labour to work overseas and receiving foreign workers to Vietnam becomes a common practice of the economy. However, the number of foreign workers in Vietnam is growing rapidly while the control mechanism is not suitable yet, which results in many shortcomings.

Foreign workers in Vietnam are divided into three main groups: labour movement in service market (regulated by WTO), labour movement in labour market and those working in non-government organizations.

According to Statistics of Ministry of Labour, War Invalids and Social Affairs, the number of foreign workers in Vietnam increase continuously: 52,633 people in 2008, 55,428 people in 2009; 56,929 people in 2010 and 78,440 people in 2011. Among them, 41,529 have work permit; 5,581 are not entitled to work permit and 39.9% (31 330 people) are without paper. These expatriates comes from about 60 countries around the world, of which, those from Asia, such as China, Japan, Korea, Malaysia and Taiwan make up about 58%. Among them, 48.3% are university graduates and over, 34.6% have skill certificates. Men account for 89.9% and 86% of them aged over 30.

Concerning guest workers, the general viewpoint is that Vietnam still lacks high skilled labour, managers, executives or professionals (including engineers and people with equivalent qualifications)... Vietnam does not have the demand for unskilled labour and these jobs must be filled by domestic workers.

The existence and increase of foreign workers in Vietnam is creating a disadvantage for wages of domestic workers. Most of foreign workers in Vietnam are unskilled coming from developing countries. They are happy to accept low wages and this becomes a barriers for salary and MW improvement in Vietnam.

6.1.3. Labour in informal and formal sectors

Labour in formal sector is understood as those having labour relations, labour contract, working in enterprises (domestic and foreign enterprises) working in state or non-state enterprises including employees not yet covered with a long-term labour contracts. These workers have right to stable jobs, are assured, under regulations of the Labour Code, of benefits such as wages (MW stipulated by State that employers cannot breach), incentives and bonuses, fringe benefits, social security, health insurance, unemployment insurance, periodical health check, occupational safety and health. In addition, there are also policies to attract talented labour, for recruitment and career path, retirement support in accordance with the laws and corporate regulations. Workers' rights, wages, working time, welfare are secured by a CBA signed with employers. Some enterprises have policies to attract talents such as: salary negotiated for each positions and jobs, appointment managerial posts, company housing, loans without interests to buy cars, motobikes, preferential company shares. Currently, there are over 15 million workers in Vietnam engaged in labour relations.

Workers in the informal sector are those working outside enterprises, in irregular businesses (small scale or not in accordance with law) or in formal sectors but whose works are lack of social insurance and protection, not covered by labour law, domestic workers, wage earners working in several industries including State sector but having unstable jobs. Most noticeable are freelancers (small traders, porters..) or those working on voluntary basis for others without labour contract like hairdressers, home tailors, free-lance building workers, motorcycle taxi drivers, street vendors, etc. These workers do not have fix jobs, labour contract, labour category and labour relations. Labour in informal sector exists as an objective necessity, always subject to effects of economic rules, socio-economic development policies and effectiveness of national laws. Workers in informal sector help to fill up the big shortage of jobs and income. According to statistics in the first quarter of 2012, the total work force of Vietnam is 54 million people. However, there is only about 15 million workers having labour relations or labour contracts, health insurance and social insurance, the rest are farmers and workers in craft villages... 23.5% of labour force (10.9 million people) particularly working in informal sectors are freelancers, of which 15% are self-employed workers, 5.7% are hired workers, 1.9% are unpaid home workers and 0.9% are employers. Income from informal sectors accounts for 30 - 60% of national gross income. This sector helps to provides a great source of employment in the event of high unemployment.

The study of labour force in the formal and in informal sectors plays an important role in helping to understand the real situation, forecast labour process and dynamics of a country, thereby making suitable socio-economic policies and laws to protect legitimate rights and interests of workers, especially those in non-formal sectors

In recent years, from 2005 and 2006, there has been a trend of labour movement from manufacturing sector to informal sector, especially in the service sector. This trend significantly takes place in big cities with lots of job opportunities like Ho Chi Minh City where the rate of labour turnover in quarter I of 2012 was approximately 20%, in quarter III was about 25%. About 40% of workers are currently working in the informal sector that increasingly diversifies and creates new jobs to attract workers from formal sector.

At present, social insurance policy has not reached the majority of employees working in the informal sector. Only 0.19% of workers in informal sector are covered with social insurance and health insurance. In addition, only a small portion of workers has access to vocational training policies. Therefore, the percentage of trained workers in this sector is rather low, over 90% of workers do not have any skill certificates.

As society is universal shift of untrained labour from the formal to the informal sector. Therefore, policies and information to encourage formalization and reduce informality are greatly needed. It is important to build the objective-policy to combine flexibly and protect the informal sector and informal employment.

The amended Labour Code passed by the National Assembly (to take effect on 1 May 2013) regulates only workers with labour relations (not freelancers). Therefore, Government needs to take measures to help workers in informal sector to be covered with unemployment benefit insurance since it is a part of active labour market policies. This is also the issue most mentioned in recent conferences on social security.

Summary:

Although the population growth is much slower than it was before, the workforce in Vietnam is still on the rise. On average, there is over 1 million people reaching working age each year causing constant pressure on employment; labour supply exceeds labour demand, which leads to reduction in labour value. Therefore, minimum wage policy is essential to ensure the labour value. Vietnamese trade Unions within their functions have pro-actively taken part in the process of determining minimum living standards and adjusting collective bargaining annually. Many recommendations made by VGCL are accepted by relevant authorities, contributing to effective protection of the rights and interests of workers on wage and salary.

The increasing influx of foreign labour to Vietnam in recent years is absolutely normal and consistent with the trend of globalization. The VGCL supports Government's policies on the issue of foreign workers in Vietnam. However, law provisions and management of foreign workers in Vietnam are still inadequate. As a result, many jobs are being occupied by foreign labour instead of local workers (this also means domestic unemployment). The reality shows that many foreign workers in Vietnam often break Vietnamese laws, such as having no work permit, no temporary residence registration, committing social evils (theft, robbery)... On the other hand, foreign workers in Vietnam also create more tension and competition in Vietnam labour market, leading to negative impacts on MW.

Informal labour plays an important role in the economic development and social stability, which contributes considerably to the state budget. However, workers in this sector are not properly protected, not subject to regulations of the Labour Code and not covered with social insurance, health insurance and unemployment insurance... Therefore, Vietnamese trade unions pay a great attention to the representation and protection of workers in this sector by establishing labour unions for them such as fishery union, motorbike taxi union, porter union etc. The current Constitution of Vietnamese trade unions also have provisions on the organization, functions and duties of the labour union.

In the future, Vietnamese trade unions will carry out more research to make recommendations for the State to make policies on informal sector, particularly on minimum wages, social security and health insurance

6.2. GDP GROWTH AND PEOPLE'S LIVING STANDARDS

After 25 years of carrying out renovation, developing socialist-oriented market economy, pushing up industrialization, modernization and international integration, the Vietnamese economy has, step by step, seen positive growth. People's living standards social welfare (including workers' and their families) are significantly improved.

The economic growth of Vietnam over the past years, along with strides in democracy, justice and social progress has helped insure workers' basic rights at work and promote decent work for workers and their families.

However, these achievements have been adversely impacted by a unstable and unsustainable pattern of economic development. During the crisis periods, in 2008 and from 2011 - 2012 in particular, due to economic recession, the cadence of Vietnam's economic growth has been on decline. Therefore, people's life in general and workers' and their families' in particular, are faced with many negative impacts. The unsustainable socio-economic development has made workers' employment, income, livelihood, social security.. precarious and cause negative impacts on efforts to secure decent work for workers and their families.

6.2.1. People's average living standard increases positively over economic growth but income inequality remains high

Over the past 10 years, from 2000 to 2011, the increase in GDP and GDP per capita in Vietnam have given a great impulse to the people's average income and spending. The country's economy grows fast. The GDP (in real value) has achieved an average growth rate of 17%. In 2010, GDP increased 4.5 times compared to 2000 and GDP per capita has increased by 4 times. GDP increased 5.7 times in 2011 compared to 2000 and GDP per capita increased 5.1 times. In 2011, GDP per capita equivalent to USD 1,300, an increase of 3.67fold in comparison with 2000.

Table 6.2.1. GDP, GDP per capita at current prices, 2000 - 2011

Year	Population (thousand)	GDP			GDP/capita		
		Bill. VND	Previous year = 100%	Year 2000 = 100%	Mill. VND/year	Previous year = 100%	Year 2000 = 100%
2000	77,630.9	441,646		100%	5.689		100%
2001	78,620.5	481,295	109%	109%	6.122	108%	108%
2002	79,537.7	535,762	111%	121%	6.736	110%	118%
2003	80,467.4	613,443	114%	139%	7.623	113%	134%
2004	81,436.4	715,307	117%	162%	8.784	115%	154%
2005	82,392.1	839,211	117%	190%	10.186	116%	179%
2006	83,311.2	974,266	116%	221%	11.694	115%	206%
2007	84,218.5	1,143,715	117%	259%	13.580	116%	239%
2008	85,118.7	1,485,038	130%	336%	17.447	128%	307%
2009	86,025.0	1,658,389	112%	376%	19.278	110%	339%
2010	86,932.5	1,980,914	119%	449%	22.787	118%	401%
SB 2011	87,840.0	2,535,008	128%	574%	28.859	127%	507%

Source:

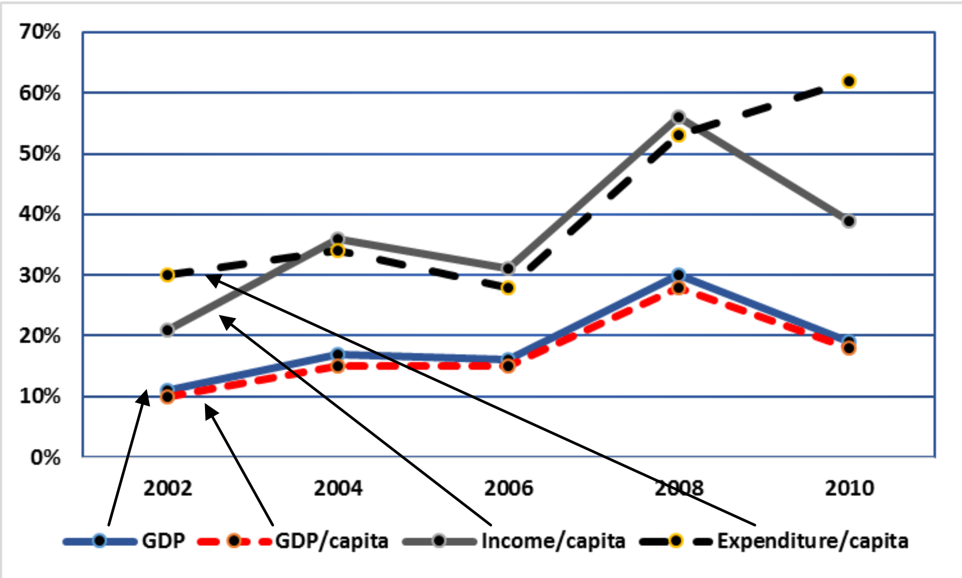
- Data in 2000 - 2009: GSO (2012): *http://gso.gov.vn/Default.aspx?tabid=706&ItemID=13412*

- Data in 2010 - 2011: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. Page.61, 133.

At the same period, 2000 - 2010, average income per head (in real values) has increased about 4.7 times, in which the average income in rural areas is higher than that in urban areas (about 4.8 times in rural areas, 2.6 times in urban areas - see Table 6.2.3). However, the average income in urban areas is still often two times higher than that in rural areas.

In addition, as a good sign, the growth of average income and spending is also significantly higher than the GDP and GDP per person. In the period 2002 - 2010, at current price, the average income/capita increased 37% per year, average spending/capita increased 41% per year, while average GDP increased by only 17 % per year and GDP per capita increased 16% per year (see Table 6.2.1, 6.2.2 and 6.2.3). However, these positive figures do not fully reflect positive changes in the quality of economic growth because, in this same period, CPI and inflation rate also rose very fast. In the period 2002 - 2010: average CPI increased 8.7% per year, in the period 2000 - 2011: 8.1% per year (see Table 6.2.2).

Chart 6.2.1. Growth rate of GDP, GDP/capita, average income and spending



Source:

- GSO (2012): http://gso.gov.vn/Default.aspx?tabid=706&ItemID=13412
- Data in 2002 - 2010: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. Page. 61, 133, 653, 669.

Table 6.2.2. GDP structure by economic sector, 2000 - 2011

Unit: %

Year	Agriculture, forestry and fishery			Industry and Construction			Service		
	Proportion of GDP	Compared to previous year	Compared to year 2000	Proportion of GDP	Compared to previous year	Compared to year 2000	Proportion in GDP	Compared to previous year	Compared to year 2000
2000	24.5		100.0	36.7		100.0	38.7		100.0
2001	23.2	94.7	94.7	38.1	103.8	103.8	38.6	99.7	99.7
2002	23.0	99.1	93.9	38.5	100.9	104.8	38.5	99.6	99.4
2003	22.5	97.9	91.9	39.5	102.6	107.5	38.0	98.7	98.1

Year	Agriculture, forestry and fishery			Industry and Construction			Service		
	Proportion of GDP	Compared to previous year	Compared to year 2000	Proportion of GDP	Compared to previous year	Compared to year 2000	Proportion in GDP	Compared to previous year	Compared to year 2000
2004	21.8	96.7	88.9	40.2	101.9	109.5	38.0	100.0	98.1
2005	21.0	96.2	85.5	41.0	102.0	111.7	38.0	100.1	98.1
2006	20.4	97.3	83.2	41.5	101.3	113.1	38.1	100.1	98.2
2007	20.3	99.7	82.9	41.5	99.9	112.9	38.2	100.3	98.6
2008	22.2	109.2	90.5	39.8	96.0	108.5	37.9	99.4	98.0
2009	20.9	94.1	85.2	40.2	101.0	109.6	38.8	102.4	100.3
2010	20.6	98.4	83.9	41.6	103.5	113.4	37.8	97.2	97.5
2011	22.0	107.0	89.8	40.8	98.0	111.1	37.2	98.4	96.0

Source:

- Data in 2000 - 2009: GSO (2012) - website: http://gso.gov.vn/Default.aspx?tabid=706&ItemID=13412
- Data in 2010 - 2011: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. Page 134.

Figures of GDP structure (Table 6.2.2) show that shares of agriculture, forestry and fishing, industry - construction and services in GDP have not changed much despite some small positive shifts. In the period 2000 - 2011, share in GDP from industry - construction and service tends to increase. However, during the period of financial and economic crises (such as 2008 or 2011 - 2012), when the industry - construction and service encountered difficulties, the role of agriculture, forestry and fishery were put into play in the national economy. It not only contributed to GDP as well as the overall growth of the economy but also in the field of labour, employment, workers' livelihood and social stability.

In the context of economic crisis, when many enterprises closed down and went bankrupt, it was the rural area with agriculture, forestry and fishing as key sectors that absorb redundant labour and ensure social stability. In Vietnam, agriculture and rural areas are also the "lifebuoy" in case of socio-economic downturn for many years.

Table 6.2.3. Average income per year, 1999 - 2010

Year	Whole country		Urban		Rural	
	Mill. VND	Previous year = 100%	Mill. VND	Previous year = 100%	Mill. VND	Previous year = 100%
1999	3.540		9.996		2.700	
2002	4.272	121%	7.464	75%	3.300	122%
2004	5.808	136%	9.780	131%	4.536	137%
2006	7.632	131%	12.696	130%	6.072	134%
2008	11.940	156%	19.260	152%	9.144	151%
2010	16.644	139%	25.560	133%	12.852	141%

Source:

- Data in 1999: GSO (2002): *Statistical Yearbook 2001*. Statistical Publishing House. Page.481.

- Data in 2002 - 2010: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. Page 653

Average income/capita has increased rapidly in recent years with urban areas faster than in rural areas. In addition, while the average income per capita is higher than GDP per capita in urban areas, average income/capita is much lower than GDP per capita in rural areas. For example, in 2010: GDP per capita nationwide is 22,879 million, average income per capita in urban area is 25,560 million, average income per capita in rural area is only 12,852 million.

Table 6.2.4. Total expenses/person/year, 2002 - 2010

Year	**Whole country**		**Urban**		**Rural**	
	Mill. đồng	**Previous year = 100%**	**Mill. VND**	**Previous year = 100%**	**Mill. VND**	**Previous year = 100%**
2002	3.228		5.532		2.532	
2004	4.320	134%	7.140	129%	3.408	135%
2006	5.520	128%	8.856	124%	4.308	126%
2008	8.460	153%	13.380	151%	6.576	153%
2010	13.668	162%	20.712	155%	10.692	163%

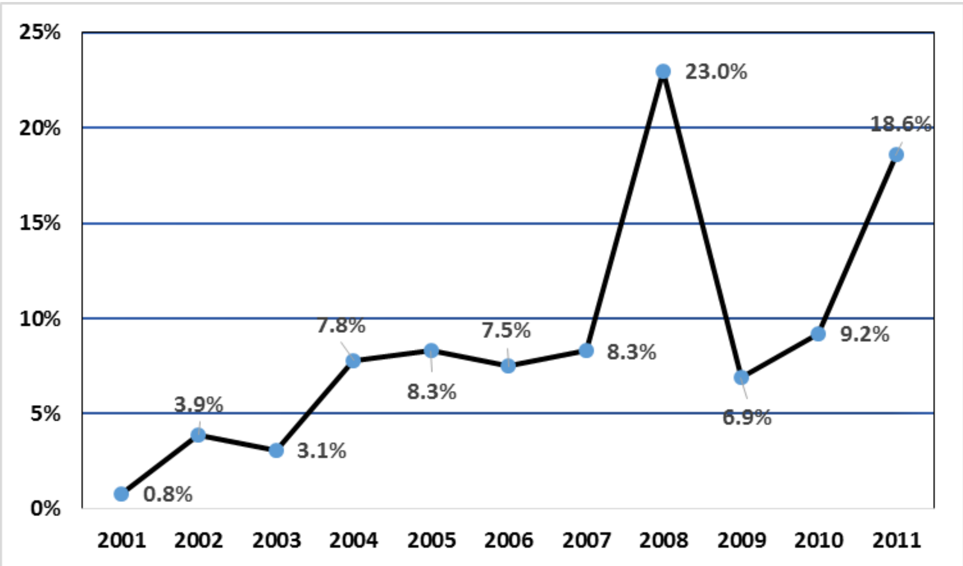
Source: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. p.669.

Similarly to the increase in average income, people's average spending also increased steadily over the past few years, however, with a significant disparity between urban and rural areas. This is reflected through indicators of income inequality.

6.2.2. Fast increase in people's average income and spending but negatively impacted by CPI and inflation

Like individual workers' and their families' lives, their living standards are negatively affected by CPI and inflation over the past years. In the period 2000 - 2011, CPI increased 8.7 % per year on average, higher than the average growth rate of the economy (only about 7% per year).

Chart 6.2.2. CPI, 2000 - 2011



Source:

- Data in 2000 - 2009: GSO (2012) - website: *http://gso.gov.vn/Default.aspx?tabid=706&ItemID=13412*
- Data in 2010 - 2011: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. Page.525.

6.2.3. National poverty standard has steadily increased almost two times in every 5 - year period, however still in a state of low value compared to the GDP per capita and average income standards.

The rate of poverty households in 2010 fell to 10.7% according to the Government's poverty standard applied for the period 2006 - 2010 (13.4% in 2008, 15.5% in 2006 and 18.1% in 2004). If reckoned according to the Government's new poverty standard for the period 2011-2015, the rate of poverty households in 2010 must be 14.2% with 6.9% in the urban area and 17.4% in the rural area.

In 2010, the disparity coefficient in income per capita between the richest and poorest households is 9.2 times, a sharp increase compared to the previous year (8.1 times in 2002, 8.3 times in 2004, 8.4 times in 2006, and 8.9 times in 2008). Survey on Living Standards in 2010 by GSO showed that: GINI coefficient of income in the whole country is 0.43 and tends to increase over the years (0.42 in 2002, 2004 and 2006 and 0.43 in 2008). According to World Bank standards, the income disparity in Vietnam is at medium level but tend to increase.

Table 6.2.5. Poverty standard in Vietnam, 2000 - 2011

Unit: Million đồng/person/year

Year	Rural		Urban
	Mountainous areas, islands	Plain	
1997 - 2000	0.550	0.733	0.916
2001 - 2005	0.960	1.200	1,800
2006 - 2010	2,.400		3,120
2011 - 2015	4,800		6,000

Source:

- Data in 1997 - 2000: Notification No. 1751/LĐ-TB&XH by Ministry of Labour, Invalids and Social Affairs dated 20 May 1997 on poverty standards.
- Data in 2001 - 2005: Decision 1143/QĐ-LĐTBXH dated 1 November 2000 by the Prime Minister on the adjustment of poverty standard, period 2001 - 2005.
- Data in 2006 - 2010: Decision 170/2005/QD-TTg dated 8 July 2005 by the Prime Minister on the issuance of poverty standard, period 2006 - 2010.
- Data in 2011 - 2015: Decision 09/2011/QĐ-TTg dated 30 January, 2011 by Prime Minister on promulgating poverty household standard, period 2011 - 2015.

In the past years, despite difficulties due to the economic crisis, income and living standards continues to increase, poverty rate decreased, people’s life remains secured. Thanks to macroeconomic policy adjustment, people’s average income and spending has still increased steadily even in a difficult stages of the country’s economy. This achievement is possible thanks to the great contribution of rural areas, of agriculture, forestry and fishery in the event of economic crisis when the industry and service sector are in difficulty. This is one of the remarkable successes in Vietnam. However, there is still a big gap in living standard between the poor and the rich, between urban and rural areas, between mountainous and plain areas.

6.2.4. Annual state budget for education, health care, pensions, social insurance increases significantly in both absolute value and ratio of total state budget expenditure

With the strategy "human is both a goal and the driving force of development", the State annually increases investments in education, healthcare, social protection and social welfare. This is reflected through the increase in the state budget spending for these sectors in recent years.

In 2010, total budget expenditure (in real value) increased 6 times compared to 2000, in which, total budget expenditure for education and training increased 7.8 times (from 12.677 trillion to 98.560 trillion), total budget spending for health care increased 10.1 times (from 3.453 trillion to 34.945 trillion) and total budget expenditure for pensions, social insurance increased 6.6 times (from 10.739 trillion to 70.678 trillion VND). [1]

Apart from the rapid increase in the total expenses, the proportion of budget expenditure for education and training - healthcare and pensions - social insurance has also increased steadily over the years. Especially over the past 5 years: 24.7% in 2000, 23.0% in 2006, 27.0% in 2008 and 30.9% in 2010. This shows the priority concern of Government and State budget for education and training-healthcare and social welfare. Main beneficiaries here are the people at large, including workers.

Table 6.2.6. Budget allocation for some sectors, period 2000 - 2010

Year	State budget in some sectors			
	Education, training	Medical	Pensions, social insurance	Total
2000	11.6	3.2	9.9	24.7
2001	11.9	3.2	10.3	25.4
2002	12.0	3.1	8.9	24.0
2003	12.6	3.0	9.1	24.7
2004	11.8	2.8	8.1	22.7
2005	10.9	2.9	6.8	20.6
2006	12.1	3.7	7.2	23.0
2007	13.5	4.1	9.2	26.8
2008	12.8	4.0	10.2	27.0
2009	13.4	4.7	10.7	28.8
2010	14.9	5.3	10.7	30.9

Source:

- Data in 2000 - 2009: GSO (2012) - website: http://gso.gov.vn/Default.aspx?tabid=706&ItemID=13412
- Data in 2010: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. Page.149.

In state budget spending, expenditures for medical sector has the highest growth rate, from 3.2% in 2000 to 5.3% in 2010; followed by expenditures for education and training (from 11.6% to 14.9%) and pension- social insurance (from 9.9% to 10.7%).

Especially, with the viewpoint "education and training is primary national policy", the State has mobilized all social resources for education and training. Education and training in

1. *Data in 2000 - 2009:* GSO (2012) - website: http://gso.gov.vn/Default.aspx?tabid=706&ItemID=13412
Data in 2010: GSO (2012): *Statistical Yearbook 2011*. Statistical Publishing House. page.149.

remote, disadvantaged areas and ethnic minority areas receive more concern. This contributed to continued development of education system. By 2010[1], all provinces reached the standard of secondary school coverage. Number of trained workers rose, reached 40% of existing workforce in 2010. The quality of human resources improve constantly contributing to national industrialization and modernization.

6.3. NOMINAL WAGE AND REAL WAGE IN THE PERIOD 2000 - 2011

6.3.1. Wage, income of workers in period 2000 - 2011

Along with the renovation and development of a multi-sectorial economy, wage policy in Vietnam has also been reformed; gradually completed with a view to improve workers' lives. Wage in administrative sectors are paid according to the wage scale on the basis of minimum wage policy in force. In enterprises, wage is paid to the employee basing on the consensus between employer and employee, depending on business performance and supply-demand pattern on the labour market but not lower than minimum wage set the State.

Depending on each enterprise, in addition to main salary, employees also get pay for overtime work, allowances, and subsidies for meals, diligent attendance, travel, housing and bonuses. The total amount that employees receive each month is called income. The average income of employees in enterprises is shown in the following table:

Table 6.3.1. Average income in different types of enterprise in 2000 - 2011

Unit: 1,000 VND

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average	999	1053	1167	1342	1397	1635	1878	2236	2727	3106	3657	3840
State sector	849	954	1069	1247	1421	1640	1936	2350	2703	3027	3260	3775
State-owned enterprises	1025	1126	1274	1590	1671	2146	2617	3202	4054	4240	4785	4410
Private enterprises	689	750	835	956	1045	1215	1408	1802	2203	4688	3232	3320
FDI	1665	1558	1636	1606	1640	1810	2003	2242	2886	3312	4002	3880

Source: GSO; *Statistical Yearbook 2001* - 2011, Statistics Publishing House.

Of this, wage make up about 80% of income; non-wage income accounts for about 20%. However, non-wage income is different amongst different enterprises and different administrative agencies. In public service, there is duty allowance of 25% from May 2012[2]; education receives classroom allowances from 30-70%; mass organisations receive allowance 30%... In enterprises, non-wage income is mainly from shift meals, 13th month salary... accounting for about 21%. FDI enterprises provide non-wage income higher than other types of enterprises.

According to a survey conducted by the Institute for Workers and Trade Unions (IWTU) in 2012 on the wages in enterprises, wage rate in employee's income accounts for 72% - 82%. Wages of employees in FDI enterprises in particular are lower than that in other types of

1. The Communist Party of Vietnam (2011): *Political Report at the XI Conference of The Central Executive Committee IX Communist Party of Vietnam.*

[2]. Include people working in Party, State organizations, socio-political organizations and armed forces. Before, those people are entitled to 10% of allowances from 01/05/2011. 57/2011/NĐ-CP dated 7/7/2011

enterprises accounting for only 72%. This type of enterprise split income into different kinds of allowances like meal, diligence, travel, accommodation allowances...to make up 28% of income. This shows that in order to reduce premium to social insurance as stipulated by laws, FDI enterprises pay lower wages to employees than other types of enterprises, just slightly higher than minimum wage.

Table 6.3.2. Workers' wage, income in enterprises, June 2012

Unit: 1,000VND

	General	**Region I**	**Region II**	**Region III**	**Region IV**	**Public sector**	**Private enterprise**	**FDI**
Salary	2,860	3,312	2,940	2,753	2,450	3,562	2,832	2,673
Income	3,623	4,232	3,787	3,495	3,001	4,488	3,485	3,711
Salary/Income	79	78	78	79	82	79	81	72

Source: Survey findings of Institute of Workers - Trade Unions, VGCL, 2012.

The average income of an employee in different economic sectors in the period 2000 - 2011 tends to increase, an increase of 284% in 10 years. Of which, the state sector provides a stable and regular increase over the years, 345%: from 849 thousands VND (in 2000) to 4,410 thousands VND (in 2011). In which, the science and technology sector saw the highest increase hike with an increase of 526%: from 692 thousand VND (in 2000) to 4,333 thousand VND (2011), the lowest increase is in the public service sector, only 184%: from 884 thousand VND (in 2000) to 2, 507 thousand VND (2011). For state-owned enterprises (SOEs), the increase in 10 years is 330%, in which, the fastest sector is agriculture, forestry and fishery, with an increase of 512%: from 680 thousand VND (in 2000) to 4,166 thousand VND (2011); mining enterprises had the lowest rate, 247%: from 1,397 thousand VND (2000) to 4,853 thousand VND (2011).

The private enterprises have the highest income growth, reaching 381%, averaging 38%/year, from 689 thousand VND (in 2000) to 3,320 thousand VND (2011). Of which, share holding companies have highest increase with 683%: from 737.5 thousand VND (2000) to 5776 thousand VND (2011); lowest are collective units, only 200%: from 523.5 thousand VND (2000) to 1,543 thousand VND (2011).

The FDI enterprises have the lowest increase in the past 10 years; with only 133%, an average of 13%/year. Although by the end of 2011, the income of employee in the FDI enterprises was 3,880 thousand VND, 17% higher than that in the private enterprises, which is only due to the starting point in 2000 with 1,656 thousand VND, 2.4 times higher than in private enterprises (689,000VND/1,656,000VND).

Also from the above data, income of enterprise workers in 2011 decreased compared to 2010 due to economic crisis. Specifically: income of employees in SOEs fell by 8%; in FDI by 3%; in private enterprises by 0.3% (in 2010 particularly, it fell by 30% compared to 2009).

In general, income of employees from 2000 - 2011 has been significantly improved, however, due to the fast increase of CPI (CPI increased by 160% in 10 years, with 4 years of over 10%, especially in by nearly 20% in 2008, 18.6% in 2011), as result the real income of employee has been seriously reduced; as shown in the following table:

Table 6.3.3. The consecutive growth rate of workers' income, CPI and GDP from 2000 - 2011

Unit: %

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Increase of income	5.4	10.8	15.0	4.1	17.0	14.9	19.1	22.0	13.9	17.7	5.0
Increaseof CPI	0.8	3.9	3.1	7.8	8.3	7.5	8.3	23.0	6.9	9.2	18.6
Increase of real income minus CPI	4.6	6.9	11.9	-3.7	8.7	7.4	10.8	-1	7	8.5	-13.6
Increased GDP (at current prices	9.0	11.0	14.0	17.0	17.0	16.0	17.0	30.0	12.0	19.0	28.0

Source: GSO; Statistical Yearbook 2000 - 2011

From the table above, it can be seen that income of employee during the period 2000 - 2011 increased by 145 %. However, if reckoning workers' real income (minus CPI), the increase in 10 years was only 97.4%. A number of years even saw drops: by 3.7% in 2004 compared to 2003, 13.6% in 2011 compared to 2010. Meanwhile, GDP growth in real value in 2011 increased by 190 % compared to 2000. Real income of workers in 2011 is not equal to that in 2009.

In the meantime, according to a survey by the Institute for Workers and Trade unions in 2012, workers' needs are always on increase. From nominal income to real income (allowed for inflation in 2012 estimatively at 8%), considering daily expenses including child-raising, the workers' income is not secured even for a low living standard.

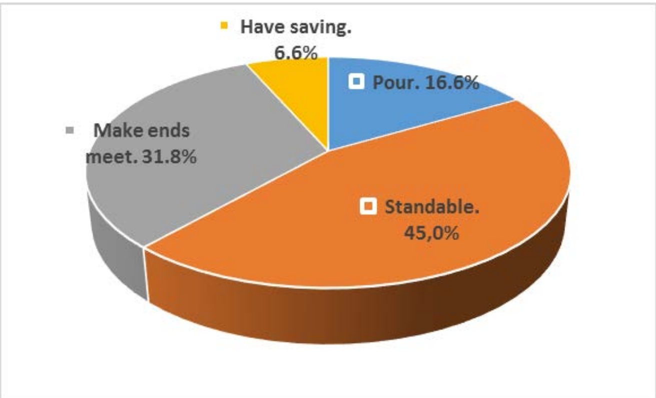
Table 6.3.4. Real income of workers compared with real expenses

Unit: 1,000 VND

	Wage regions	General	Region I	Region II	Region III	Region IV
1	Income	3,623	4,232	3,787	3,495	3,001
2	Real income with inflation taken	3,333	3,893	3,484	3,215	2,761
3	Actual spending	3,498	4,126	3,723	3,479	2,770
4	Disparity (2-3)	-165	-233	-239	-264	-9

Source: Survey report on wages, minimum living standard, IWTU, 2012

Chart 6.3.1. Workers' opinion on income



When asked about salary, income and spending for daily life, workers said: 6.6% of them have savings; 45.0% have standable life; 38.4% strive to make ends meet; 16.6% do not have enough money for daily life.

When asked about the satisfaction with current jobs and wages: 28.5% of workers say "unsatisfied"; 57.4% say "temporarily satisfied"; 13.2%

"satisfied"; only 0.8% "very satisfied". Workers in footwear factories have the highest rate of "dissatisfaction" response, accounting for 52.2%.

6.3.2. The formulation, implementation of wage scales and payroll in enterprises

As stipulated by law, salary is set up and agreed upon between employee and employer through a labour contract, not lower than minimum wage. Article 57 of Labour Code 1995 stipulates "After consulting the Vietnam General Confederation of Labour, and representatives of employers, Government defines principles of formulating wage scale and payroll and labour norms for employers to work out and apply in accordance with specific operating conditions of the enterprises and in compatibility with the workers' grades, ensuring the improvement of working conditions, technical and technological renovation, and labour standards."

The employers shall have to formulate wage scales, payrolls and production norms according to the above-mentioned principles, after consulting the grassroots Trade Union Executive Committees, and must announce them publicly in their respective enterprises or agencies. The wage scales and payrolls must be registered with the State management agencies in charge of labour in the provinces or centrally-run cities where the enterprises or agencies are headquartered[1].

- For public sector, the Decree No. 204/2004/NĐ-CP of December 14, 2004 on salary regimes applicable to officials, public employees, public servants and armed force personnel is still in force. This Decree prescribes the common minimum salary; salary tables; salary allowance regimes; salary promotion regime; salary payment regime; towards full-time officials and public employees; officers, professional army men, non-commissioned officers, soldiers and workers in armed forces' agencies and units. There are 7 payrolls for each subject, divided into 40 groups, each group from 2 - 12 salary scales. In which, the government official group with coefficients from 8.8 -10.0; Government official A1 group (9 levels) with a coefficient from 2.34 - 4.98; Service staff group with the lowest wage with a coefficient of 1.0 - 3.33. Along with the allowance coefficient, the minimum coefficient is 0.2 (district), the maximum coefficient is 1.3 (deputy minister or equivalent).

Table 6.3.5. Salary coefficients of the lowest and highest groups in public sector

Subjects	Level	Lowest	Highest
Senior Specialist	3	8.8	10.0
Senior Experts (A3 category)	6	6.2	8.0
Principal Expert (A2)	8	4.4	6.8
Graduate cadre (A1)	9	2.34	4.98
Civil servant (A0)	10	2.1	4.89
Civil servant (B0)	12	1.86	4.06
Civil servant (3 groups)	12	1.35 - 1.65	3.33 - 3.63
Service staff (5 groups)	12	1.0 - 2.05	2.98 - 4.03
Commune cadre (4 groups)	2	1.75 -2.35	2.25 -2.85

- For 100% state-owned enterprises, the Government's Decree 205/2004/NĐ-CP of 14 December 2004 guiding the setting of wage scales, payroll and salary allowance regimes in

[1] Amended in Labour Code 2012, "with the State management agencies in charge of labor in the provinces where the enterprises or agencies are headquartered" without register.

SOEs is applicable. In this connection, enterprises must formulate wage scale and payroll in accordance with their business type and sector.

According to the Decree, the A1 wage scale with 7 levels cover over 30 professional groups in 12 areas of business. The A2 wage scales with 6 levels cover 16 professional groups in 7 areas of business. Wage scales (B1-B10) for blue collar workers are determined for various sectors. The Decree also has provisions on salary and allowances of the General Director, Directors, CEO, chief accountants; senior specialists, craftsmen, division chiefs, experts and technical personnel.

For example: The lowest level of mechanic (out of 7 levels) is level 1 of group I with coefficient 1.55; the highest level is level 7 of group III with a coefficient of 4.8. Wage scale of service staff (12 levels) has the lowest coefficient of 1.0; highest is 2.89. The salary coefficient of the Director can range from 5.32 - 8.2; salary coefficient of the chief accountant from 4.33 - 7.33 depending on the type of business.

Thus, this complex system of wage scales and payrolls requires the accounting personnel in enterprises to spend much time and efforts to improve it in case of wage adjustments. In state establishments, coefficient is calculated basing on current minimum wage but should not be less than region-based minimum wage.

- For private enterprises, several important reforms have taken place. There are currently 4 minimum wage regions in the country. Article 90, Labour Code 2012 stipulates[1]: "*Workers' wages are paid according to mutual agreement and to productivity, work performance and can not be lower than Government-defined minimum wage*". Regulations guiding the implementation of the Government Decree 114/2002 dated 31 December 2002 on wages also specify the application of a number of articles of the Labour Code on wages, specifically: the wage scales and payrolls of enterprises and agencies shall serve as basis for: reaching agreement on wages upon the conclusion of labour contracts; determining the wage unit price; practicing increase of wage levels as agreed upon in labour contracts and CBA; paying social and health insurance premiums and enjoying social and health insurance regimes under law provisions; paying job-termination wages and other entitlements under the provisions of the labour legislation; handling other interests upon mutual agreement and according to provisions of the labour legislation. This Decree defined principles of formulating wage scales and payrolls for managerial, professional, technical personnel, blue collar workers doing their jobs and occupations they are trained for. The grade 1 of the salary for technical workers must be higher than the minimum wage prescribed by the State at least by 7%. The difference between 2 wage levels must be at least 5%. Wage levels applicable to hazardous and dangerous occupations or jobs must be higher than that applicable to occupations or jobs with normal labour conditions. Overtime; night shift pays must be observed in accordance with current regulations; principles of setting production norms must be worked out...This will give autonomy for enterprises to make payments to workers.

However, in practice, most of SOEs that have been equitised continue applying the Decree 205/2004/NĐ-CP of the Government dated 14 December 2004 as they do not want to build new wage scales. Many private and FDI enterprises set up wage scales but in such a way to cope with labour offices by dividing wage scales into small steps; paying slightly higher than minimum wage; building production norms and unit pay arbitrarily and often a very high production norm forcing workers to work hard, even overtime to catch up. In reality, as workers' wages are low, most workers want to work overtime to make two ends meet..

[1] This provision inherits Article 56 of the Labour Code 1994, revised in 2007

6.3.3. The correlation between wages, income and production value

Wage and income of the employee is the inputs in the production costs and business. Wage costs are different in each type of enterprise depending on labour productivity, management and economic comparative advantage.

According to data of GSO (national level, done every 5 years) on a number of economic sectors. In 2007, the agricultural and forestry sector had workers' income ratio on production value from 32% - 40%. However, workers' average monthly income is only 2,746 thousand VND. In contrast, in real estate business, the ratio is from 8.1% - 16.5% but the average monthly income is 3,206 thousand VND.

Table 6.3.6. Workers' income in some enterprises of different trades

Unit: %

Economic sector	Worker's income (unit: 1,000đ)	Income ratio in production value (unit: %)		
		State-owned enterprises	Private enterprises	FDI
Agriculture and related services	2,746	39.9	32.4	32.4
Fisheries	1,228	28.9	16.8	21.2
Manufacturing, processing industries	1,832	16.0	15.4	15.2
Construction of civil engineering works	2,038	17.5	17.8	5.6
Restaurants	1,948	18.7	15.6	26.1
Textiles, footwear	1,860	11.6	7.4	5.9

Source: Average workers' income in 2011 (GSO)

Labour costs in many FDI enterprises are lower than in SOEs and private enterprises. For example, labour cost for electricity and gas, air-conditioning in FDI enterprises is only 27% - 57% of the other types of enterprises. It is the same for civil construction industry and real estate business. Thus, it is difficult to have a general figures on wage costs, income and production value. In Vietnam, in a number of industries with high comparative advantage, preference or monopoly like state banks, electric power, petroleum, oil and gas, pharmaceutical..workers' income is rather high.

However, in most sectors, wage cost in SOEs is higher than in other types of enterprises. This implies the inefficient use of capital and labour productivity in SOEs. According to the research report of the Institute of Labour Science and Social Affairs, if wages are calculated separately, in the years 2007 - 2009, wage costs/total business cost of enterprise is highly variable ranging from 15% - 19%. In which, the SOEs' wage cost/total business costs are 22% - 27%, much higher than in the private sector (13% - 19%) and FDI (18% - 20%). If taken by sector, this rate in the agriculture is 21% - 23%; construction industry 20% - 22%; tourism and trading 13% - 17%.

To reduce wage costs in the product price, it requries to increase labour productivity. Therefore, enterprises need to reorganize the production, apply science and technology into production, raise the level of automatic mechanization, improve production norms, strengthen labour discipline, introduce forms of incentives, bonuses. material responsibility, upgrade workers' skills...

6.3.4. The correlation between wage increase, income of the employees and labour productivity in enterprises, period 2000 - 2011

According to the data of GSO, labour productivity of workers from 2000 to 2011 in enterprises has increased from 11.7 million to 50.3 million VND per person, an increase of 330%. In reality, wages and income have exceeded labour productivity in a number of industries and sectors. See table:

Table 6.3.7. Income growth and labour productivity growth from 2003 to 2011 compared to 2000

Unit: %

Year		**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Income growth	SOEs	55.1	63.0	109.4	155.3	212.4	295.5	313.7	366.8	330,2
	Private enterprises	38.8	51.7	76.3	104.4	161.5	219.7	580.4	369.1	381,9
	FDI	-3.5	-1.5	8.7	20.3	34.7	73.3	98.9	140.4	133,0
Increased labour productivity		29,1	47.0	68.4	92.3	116.2	173.5	196.6	243.3	330.0

Source: Compiled from data of GSO 2000 - 2011.

The table above shows the increase/decrease of wage and income of the employee in enterprises and labour productivity growth rate from 2003 - 2011 compared to 2000. The data indicate the increase in wage, income of the employee and labour productivity. However, the growth rate of income and labour productivity at different times are also different.

Specifically, in SOEs, from 2003 to 2011, wage and income growth rate of an employee is higher than the growth rate of labour productivity, from 0.2% - 123%, the highest was 123 % in 2010 and the lowest was in 2011 (only 0.2% difference).

In private enterprises, wage and income growth rate from 2003 - 2011 are higher than labour productivity, 4.7% (2004) to 383% (2009).

In contrast to the two types of enterprises above, in FDI enterprises, wage and income growth rate from 2005 - 2011 are lower than labour productivity, 32.6% (2003) to 197% (2011).

Thus, compared with other types of enterprises, wage and income growth rate in FDI is much slower. Meanwhile, the income of the employee compared to the production value in most FDI enterprises is lower than other types of enterprises

Table 6.3.8. The growth rate of labour productivity in a number of sectors of the economy, 2004 - 2011

Unit: %

Year / Sector	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Total	113.9	114.5	114.2	112.4	126.5	108.4	116.4	124.5
Agriculture, forestry and fishing	114.3	112.5	114.3	134.7	140.2	103.7	119.1	136.3
Mining	115.5	116.6	103.5	138.7	134.6	112.7	137.6	128.5
Manufacturing industries	109.5	109.6	110.9	116.7	117.3	102.4	113.6	120.2
Construction	105.5	115.1	113.1	111.3	115.5	109.5	105.4	112.7

Year / Sector	2004	2005	2006	2007	2008	2009	2010	2011
Food service	119.2	128.2	119.9	89.5	106.3	98.2	110.3	112.1
Finance	103.0	94.5	99.9	87.2	123.0	103.1	107.0	107.5
Healthcare and social activities	109.8	109.5	167.5	71.8	124.8	112.5	92.5	103.3

The above table shows the annual growth rate of Labour productivity from 2004 - 2011 in some important industries and sectors of the economy. Most sectors have an increase of 10% in labour productivity in comparison with the previous year. In agriculture, forestry and fishery, production productivity in 2008 increased by 40%, in 2011 by 136% compared to the previous year. Labour productivity growth rate lower than wage growth rate cause difficulties for production, business processes, capital accumulation, and reproduction in enterprises. Lack of capital, investment, equipment, science and technology innovation have resulted in low labour productivity, low wages and income for workers. This is a vicious cycle for enterprises in poor and developing countries.

6.3.5. Conflict in wage relations, labour disputes in enterprises and trend forecast

Labour disputes, collective work stoppages and spontaneous strikes have deep-rooted reasons from wages, income and related factors and tends to increase in quantity, complexity in characteristics and severe in scale..

From 1995 to the end of June 2012, in the whole country, there were 4711 collective work stoppages, spontaneous strikes by employees, 270 strikes a year on average. In which, the first five-year period from 1995 to 1999, there was only 307 strikes and stoppages, an average of 61.4/year, but in the period from 2000 - 2010 (11 years) it was 3,095, on average 281 cases/year. In 2008, there was a sharp increase with 762 strikes and work stoppages. In 2011 in particular, there were 978 strikes, 2.3 times more cases than in 2010; also in the first six months of 2011, there were 331 strikes.

FDI enterprises took the lead with 3,479 cases, accounting for 73.9%; followed by private enterprises, with 1,135 cases, accounting for 24.1%; the lowest sector is SOEs, with 97, accounting for 2.1%. Notably, in the peak years of 2008 and 2010 - 2012, there were a very small number of strikes or even no strikes at all in SOEs.

There were 978 strikes in 2011 only, of which 731 in FDI enterprises, accounting for 74.7%; 224 in private enterprises accounting for 25% and 3 in SOEs accounting for 0.3%. A breakdown in FDI enterprises shows that the highest rate occurred in Taiwanese companies with 265 cases, accounting for 36.3%; followed by South Korean companies with 215 cases accounting for 29.4 then Japanese ones with 49 cases, accounting for 6.7%; and those from other countries with 76, accounting for 27.6%.

If taken by industry, in 2011, the textile and garment sector is always the terrain with highest strike records: 280 strikes in 2011, accounting for 28.6%. The footwear sector ranked second with 102 cases accounting for 10.4%; electronics with 74 strikes, accounting for 7.6%; Wood furniture with 138 strikes, accounting for 14.1%; other industries with 384 strikes, accounting for 39.3%.

If taken by economic regions, in 2011 in the Southern part with key areas as Ho Chi Minh City, Dong Nai, Binh Duong provinces, there were 837 strikes, accounting for 85.6%; the northern area has 139 strikes, accounting for 14.2% and the central area has 2 strikes, accounting for 0.2%.

A breakdown of strikes for rights and interests shows that 179 strikes were for rights, accounting for 18.3%; 447 strikes for interests, accounting for 48.8%; 322 for rights and interests, accounting for 32.9%. Most strikes in 2011occured in unionised enterprises, with 659 cases, accounting for 67.2%; and 319 cases in unorganised enterprises, accounting for 32.6%.[1]

The main reason leading to strikes in recent years is due to low wages and income amid high inflation and difficult living conditions, violations of regulations by employers such as wage delays, absence of wage scale and failure in its registration, unclear payroll, no annual wage increase as stipulated in labour contracts and CBA..

Strikes also stem from conflicts about interests such as demands for basic wage increase, more insurance premium; lunch quality, travel support, new year bonus... In 2010, in Ho Chi Minh City, of 67 strikes, 63% was about wage; in Dong Nai province, 140 strikes occured in which 80% was about wages; of 127 strikes in Binh Duong, 80.3% was also related to wages.[2]

A survey in Binh Duong province in July 2012 shows that all 46 strikes were about wages and income dissatisfaction. In the first 11 months of 2012 in Ho Chi Minh City, there were 99 strikes, 98 of them stem from wages, allowances, meal quality disputes. In the first six months of 2012 in Dong Nai province, there were 28 strikes, 26 of them were about wages, income and allowances.

Many workers' demands and requests related to wages and incomes are not met on time by employers. The exercise of collective bargaining, dialogue, cooperation in the unionised workplaces are almost in inertia. Differences of interest between parties in wage relation are not promptly identified and resolved by negotiations.

Typical strikes, work stoppages happening recently:

1. From 23/2/2010 to 26/2/2010, in Ecosoft company (Taiwan capital) - Amata Industrial Zone, Dong Nai province, unorganised, specialized in the production of garments, 240 out of 280 workers went on strikes, asking for wage increase, subsidies and trade union organising.

2. In Quang Ngai province, on 10 May 2012, nearly 500 workers of Gallan Dachan Seafood Co. Ltd (Taiwanese-owned), based in Quang Phu Industrial Park, strikes to oppose low wage policies, 28 working days, 10 intensive nights shifts, wages of only 2.5 million VND; no petrol and night meal allowance as promised.

3. In Ho Chi Minh City, in Furukawa Company of Japanese investments, located in District 7, specialized in manufacturing electric circuit for cars, 6,300 out 6,300 workers went on strike on 5 January to 8 January 2012 to protest unjust wage adjustment made in September 2011 and wage reduction for Tet holidays.

4. From 17/4/2012 to 24/42012, in DaewooVina Co., Ltd (Korean investments) located in An Phu, Thuan An district, Binh Duong province, specialized in garments, 300 out of 350 employees went on strike to ask for a wage increase of 200,000 VND per month; increase in travel allowances, improvement for meal and drinking water quality, standard restrooms.

5. From 16/6/2012 to 18/6/2012, in Sarah Co. Ltd. (from Korea), based in Ben Cat District, Binh Duong Province, specialized in textile, 1,000 out of 1,200 employees went on strike to ask for a wage increase of 200,000 VND per month and 2011 holiday payment.

6. From 11/01/2012 to 16/01/2012, at Fukuyama Gosei Co. (Japan) - specializes in plastic products and molds - based in Amata Industrial Park, Bien Hoa city, Dong Nai

[1]. Most strikes involved over 20 workers, high strike records in FDI enterprises. According to statistics, 85,5% of SOEs and 70% FDI enterprises employ over 20 workers. Overall unionisation rate is58,6% of wage earners of which 97% in SOEs, 69% in FDI. (source: VCGL, 2011, 2012).

[2]. Report on labour relation in 2010 by VGCL.

province, 200 of 300 workers went on strike to demand wage increase (their wage had been reduced in December 2011), hazardous allowances; cancellation of wage deduction policy (when workers forget attendance register at work)

7. From 6/6/2012 to 11/6/2012, at Sanko Mold company (Japan), specialized in electronics, Amata Industrial Park, based in Bien Hoa city, Dong Nai province, 120 out of 140 employees went on strike to ask for a wage increase, petrol allowance increase to 300,000 VND, housing allowance increase to 200,000 VND, cancellation of diligence pay deduction for one-off late arrival, appropriate rest after 4-hour overtime, against dismissal for taking part in strike, payment during strike etc

Forecast of trend in wages, incomes: In the coming years, economic growth in Vietnam tends to slow down (6 - 8/year) and gradually reach sustainable stability. Wage distribution relations, market-oriented income and Social Labour productivity tend to increase... This is the primary conditions to implement adequate wages policy for employees. By 2020, it is foreseen that the average income of the employee may increase two times compared to 2012; living standards of employees also increased accordingly. Employee with qualifications will get high pay corresponding to the labour productivity and dedication; The inequality and social stratification in income and living standards tend to increase.

Conflict in wage relationship still exists, the trend of labour disputes and strikes on wages, income continue to occur, especially when minimum wage does not meet minimum living standard. Dispute settlement process and strike led by trade unions is problematic. Therefore, “the change from labour dispute on the rights into labour dispute on the interests is a major trend in the future. Strike still occurs in a complex way; tend to increase in both quantity and the number of participants, mostly in FDI enterprises and private enterprises. However, after the amendment of the Labour Code, the Trade Union Law and the development of trade unions, strikes and labour disputes can be limited or be in accordance with law” [1].

6.4. MECHANISM FOR MINIMUM WAGE SETTING

6.4.1. Regulations on minimum wage in Vietnam

General minimum wage: Article 91, Labour Code of 2012 provides: MW is the lowest wage level paid to the employees who are untrained, do the simplest jobs in the normal working conditions, ensure adequate standard working days in month. MW is determined by month, day, time, industries and sector.

Based on minimum living standards, socio- economic conditions and wage level in labour market, Government announced region based MW on the recommendations of National Wages Council.

Industry - based MW is determined through National Industrial CBA and shall not be less than the region- based minimum wage announced by the Government.

Since 2000, Government has annually announced general minimum wage. General minimum wage is applied to the administrative area (before 2008, applied to both SOEs). The general minimum wage is as follows:

[1] Dr. Nguyễn Hữu Dũng, Ministry of Labour, Invalids and Social Affairs, report on labour relations, on 80 years of Trade unions, 2008.

Table 6.4.1. Ratio of increase in general minimum wage, GDP and CPI annually in 2000 - 2011

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
CPI (%)	-0.06	0.8	3.9	3.1	7.8	8.3	7.5	8.3	23.0	6.9	9.2	18.6
GDP (%)	6.79	9.0	11.0	14.0	17.0	17.0	16.0	17.0	30.0	12.0	19.0	28.0
Minimum wage (thousand VND)	180	210	210	290	290	350	450	450	540	650	730	830
Increase(%)	25	16.7	0.0	38.1	0.0	20.7	28.6	0.0	20.0	20.4	12.3	13.7

Source: Salary Department, Ministry of Labour, War Invalids and Social Affairs, June 2011.

According to the table above, compared with CPI, the average increase in minimum wage is always secured to cover minimum living standards of employees or even higher than the inflation rate.

For enterprises: From 2000 - 2007, MW in domestic enterprises was determined according to general MW applied for administrative and non-profit sectors. In 2008, MW was determined for three regions with MW in region 3 equal to general MW. In January 2009, MW was determined by 4 regions. `

MW in FDI enterprises from 2000 to 2008 was determined for three areas; from January 2009 to present, for four regions, with different levels compared to domestic enterprises. From October 2011, minimum wage in enterprises is separated from administrative sectors and divided into four regions, regardless of the types of enterprises. Specifically:

Table 6.4.2. Minimum wage in enterprises, 2007 - 2011[i]

Unit: 1,000 VND/month

Enterprises	Region	12/2007	01/2008	01/2009	01/2010	01/2011	10/2011
Domestic enterprises	Region I	General minimum wage 450	620	800	980	1,350	2,000
	Region II		580	740	880	1,200	1,780
	Region III		540	690	810	1,050	1,550
	Region IV		-	650	730	830	1,400
FDI	Region I	870	1,000	1,200	1,340	1,550	2,000
	Region II	790	900	1,080	1,190	1,350	1,780
	Region III	710	800	950	1,040	1,170	1,550
	Region IV	-	-	920	1,000	1,100	1,400

Thus, from 2008 to 2011, minimum wage by regions were adjusted 5 times[1]. After 5 adjustments, region based minimum wage in enterprises increased from 211% to 344% (absolute level from 950 thousand VND to 1,550 thousand VND); in FDI enterprises, this rate increased from 97% to 130% (highest level from 690 thousand to 1,130 thousand).

In general, the minimum wage adjustment in recent years has somehow improved workers' living conditions, in accordance with the enterprise's payment ability and the state

[1] In 2011, enterprise MW was adjusted twice in January and October 2011. From 1 May 2012, general MW was adjusted to 1,050 thousand VN, an increase of 26.5% compared to 2011.

budget. Especially, the separation of minimum wage in enterprises from the administrative sectors sooner than expected is an important step in the minimum wage policy in Vietnam.

In recent years, the real minimum wage applied in enterprises tends to increase and higher than minimum wage prescribed by State. Specifically:

Table 6.4.3. The average minimum wages in various types of enterprises

	2006 (1000 VNĐ)	**2007 (1000 VNĐ)**	**2008 (1000 VNĐ)**	**2008 in compared to 2006 (%)**	**Yearly increase rate (%)**
Domestic enterprises	436	536	648	+48.62	24,3
FDI	825	951	1074	+30.18	15,1
Private enterprises	539	648	760	+41.00	20,5

Source: Ministry of Labour, Invalids and Social Affairs, Survey of Labour, Wage and Social Insurance in the form of enterprise, 2008.

In 2008, the real average minimum wage in SOEs is the lowest, only 648 thousand VND per month, but has the highest growth rate; increased by 48.6% compared to 2006, an average increase of 24. 3% per year. Private enterprises reached 760 thousand VND per month exceeding the level prescribed by the State (540 thousand VND per month), increased by 41% compared to 2006, an average annual increase of 20.5 %. The wage increase in FDI enterprises is lower with average yearly increase of 15.1% but has higher real minimum wage (1.074 VND per month).

However, the minimum wage in Vietnam still reveals many shortcomings, namely:

- The application of the payment mechanism in different types of enterprises is not uniform. For example, SOEs still use region-based minimum wage as a floor, however apply general minimum wage to establish actual payroll, wage scales.

- General minimum wage is bound by many social policies, thus, the increase in minimum wage will bring about many payment burdens for the state budget often overloaded.

- Minimum wage adjustments always fail to catch up with workers' minimum living standards, just matches 50% - 60% of their basic needs. In non-profit, administrative sectors, it even matches only 42% of minimum living standards.

6.4.2. Tripartite Mechanism on minimum wage in Vietnam

According to the Labour Code of Vietnam, the government need to consult parties concerned when setting minimum wage, specifically: "The Government shall decide and promulgate for each period a general minimum wage rate, minimum wage rates for different regions and for various branches of trades, after having sought the views of the Vietnam General Confederation of Labour and of representatives of employers. When the cost of living index increases, entailing a reduction in the workers' real wages, the Government shall readjust the minimum wage rates accordingly to safeguard the workers' real wages".

Although there is no Tripartite Wage Council yet, this mechanism has been maintained since the implementation of the Labour Code in 1995. Three parties are the State (represented by the MOLISA), workers's representatives (VGCL) and employer's representatives (the Vietnam Chamber of Commerce and Industry-VCCI and Vietnam Co-operative Alliance-VCA).

Accordingly, Government assign MOLISA to take the lead in reckoning and formulating minimum wage in different periods in cooperation with the VGCL, VCCI and VCA before any promulgations..

In general, the tripartite wage mechanism does not function on regular basis and meet only on request. Parties concerned do not have apparatus, professional personnel in this field but assign people to do the job in case of need. For example: minimum wage in enterprises is determined by the MOLISA, but minimum wage reform for non-profit and administrative sector is assumed by the Ministry of Home Affairs...

However, with a view to protect national interests, workers' and employers' interests, the tripartite wage mechanism in Vietnam has promoted the spirit of democracy among the partners, brought in ideas to jointly formulate regulations related to the rights and interests of parties concerned and their members, sought high consensus among themselves, submitted to Government for approval and coordinated the implementation of MW policies.

However, there still exists the inequality in the tripartite wage mechanism. The principle of tripartite wage mechanism is mutual consultation and co-determination but in Vietnam, the government (state and national representatives) is still the ultimate decision maker. The influence of each party on final decision depend very much on its power.

There are often 2-3 options for minimum wage adjustment, but the Government often choose the lowest minimum wage level in order to create a competition in the labour market, attract foreign investments and reduce burden on the State budget.

The tripartite wage negotiation mechanism has not been taken into due consideration and implemented in a comparatively independent manner but usually attached to tripartite labour relations. Moreover, this mechanism only exists at national level, not at sectorial and local levels.

Article 92 of Labour Code 2012 stipulates: "minimum wage will be decided by a three party panel making up the National Wage Council that consists of representatives of the MOLISA, the VGCL and the national employers' organisation. The National Wage Council will then act as an advisory council to the government to adjust the minimum wage". This will be an important legal basis for the establishment and functioning of an independent and efficient tripartite mechanism.

6.4.3. Vietnamese trade unions in minimum wage negotiation

Under the laws of Vietnam, Vietnamese trade unions are the only representative organization of the collective of workers. In the process of formulation and promulgation of legal documents, including minimum wage policy, the VGCL has been invited in the consultation process and made effective contributions in advancing important initiatives, recommendations such as dialogue mechanism, collective bargaining.. delegating unions of immediate upper level to assist workplace unions in collective bargaining and labour agreements. For this purpose, the VGCL has conducted many surveys on wage, income, living conditions of workers and especially the observance of minimum wage in enterprises to make recommendations to the Government and authorities concerned.

Unions of different levels have directed workplace unions in negotiating and signing collective labour agreements, implementing the bilateral mechanism between representatives of employee and of employer. The collective labour agreement focuses on wages, minimum wage and payment methods. At present, workplace unions mainly pay attention to the application of minimum wage and not much to negotiation for a higher wages.

However, the participation of trade unions in minimum wage policy and adjustment is not pro-active yet. There is no personnel with thorough knowledge on wage issue and skills to join the process with solid grounds and convincing arguments. Thus, the engagement of VGCL with Government, the authorities and parties concerned have not been satisfactory.

The only access to the parties concerned (the employer and government representatives) is made only through annual consultations on minimum wage adjustment or on development of projects on minimum wage roadmap. There is still no substantial negotiations, lobby or pressures on Government and other parties to adjust minimum wage suitable with the actual situation.

Facing requirements of new situation and new tasks, to fulfil its duties in joining tripartite wage negotiations, the VGCL has organised training courses on the Labour Code 2012 focussing on wage, an issue of great concern, taken part in drafting the decree that guides the implementation of regulations on wages in the newly revised Labour Code, prepared personnel for the National Wage Council. Annual statistical survey on wage and income of workers is carried out to serve as basis for talks with the Government and parties concerned on minimum wage adjustment. VGCL persist in proposals to the Government on a wage reform to make sure that minimum wages meet minimum living standard of workers.

The VGCL has always organised skill training workshops (with the support of international experts) on wage negotiations that become a necessary trend in wage relations at enterprises, carried out evaluations of national industrial CBA with a view to promote and replicate the model of national industrial CBA of the Textiles and Garment sector to other industries.

It also strengthens the personnel and improves skills for union reps of upper levels, especially those working in the industrial zone unions and unions of districts with high density of enterprises and at the same time, equip them with knowledge of labour laws, enabling them to conduct wage negotiation when needed.

The VGCL attach a great attention to consolidating, establishing new legal aid centres to educate workers, grass-root union reps, give them timely advices on the issues related to labour laws and wages, take part in settling labour disputes to minimize strikes and build progressive labour relations at workplaces..

6.4.4. Trade union achievements in wage negotiation

In reality, minimum wage is much lower than the minimum living standard, so wages paid to employees in enterprises have been higher from 39% - 53% over minimum wage, depending on the regions. Therefore, workers and trade unions do not care much about minimum wage as Government regulations are fairly clear. Usually, workplace unions just focus on negotiating CBAs with provisions better than the law such as: lunch allowance, hours of break, picnics, difficulty allowances, bonuses, 13th month salary.[1]...

For the industry level, in the national industrial CBA of the Vietnamese textiles and garment sector, the minimum wage reached through negotiations is about 25% higher than the minimum wage prescribed by the Government. Specifically: minimum wage in textile and garment industry in region I is currently 2.5 million VND; region II is 2.3 million; region III is 2.1 million; region IV is 1.9 million.

At the national level, in a situation of high inflation, rocketing costs of living, workers' hard livelihood in 2011, basing on the investigations of the Institute of Workers and Trade Unions on minimum wage and living standard of workers in enterprises, in October 2011 the VGCL made a recommendation to the Government to increase the minimum wage for 2012 (3

[1] According to VGCL reports in 2011, 65.2% of workplace unions were covered with CBA of which 40% have better provisions compared with laws.

months earlier than scheduled). During the negotiation process, VGCL's proposal for minimum wage increase with a level higher than the package proposed by the MOLISA was accepted, resulting in an increase from 50 thousand to 100 thousand VND depending on regions.

However, due to the fact that the MW is low, entailing low pay to social insurance, the employer always use it to pay premium to the social security. This means that after retirement, workers will receive a low pension or low social benefits and will cope with a difficult life, a burden for the society.

6.4.5. Limitations of the tripartism on MW

In Vietnam, the MW mechanism is rather complex. The current MW applicable to civil servants, state employees, SOEs is used as basis for building wage scales and payroll. However, the general MW (1,050,000 VND/month) is not the lowest level paid to workers but must refer to region-based MW. Thus, region-based MW does not match its true meaning of " securing the minimum living conditions". Obviously, the setting of general MW is not realistic as basic needs of workers in sate sector is similar to those in non-state sector in the same wage region. Though understanding clearly this situation, partners in tripartism are still unable to find any effective solution but accept the fact that "wage reform has not been able to get rid of the vicious circle over past 20 years."

Currently, there are 4 basic methods for MW determination in Vietnam as follows:

Method 1: defining the basic needs of workers doing simplest work, in normal working conditions and child-raising condition;

Method 2: Setting general MW on the basis of investigating average salary of workers with no skills, doing simplest work in normal working conditions;

Method 3: Setting general MW on the capacity of the country's economy, GDP, individual consumption fund.

Method 4: Basing on the slippage in prices

All these methods are also used in many countries. However, in Vietnam, the application is not identical. Reckoning workers' basic needs (method 1) produce the best result, too different from result obtained from measure 4. It is due to the fact that prices of essential commodities that employees often use rise faster than CPI.

Due to the absence of a true national tripartite wage mechanism and the fact that final decision come only from consultations, results from negotiation among parties is very formal. General MW depends entirely on the capacity of the state budget and the State wills.. Therefore: "General MW is still low and not enough to ensure workers' minimum living conditions. During the implementation, due to the weak negotiation capacity of workers and workplace trade unions, the employment pressure, many companies still stick to MW to pay low wages to the workers or use it to pay skilled workers thus seriously damaging workers' rights and interests"[1].

In our opinion, the tripartite wage mechanism exists in weakness.

First, from the State side: MW policies reveal many shortcomings: shortage of a general scheme for wage reform, lack of an uniform method of calculating minimum wage, the inappropriate wage roadmap, failure of resolving labour disputes on wages and weakness of State management of enterprises.

[1]. Report by the Salary Department of MOLISA at the workshop on "wage policy, situation and solutions", hosted by the Social Affairs`Committee, National Assembly 17 - 18 May 2012

From the employer's representative side, the Government appointment of VCCI and the VCA as employer's representatives does not insure "objective substantiality". These identities are likely to play the role of trade promotion rather than representing and protecting employers' interests, as result in the event of conflicts on wages, these identities almost stand outside causing enterprises, especially private enterprises faring on their own in a "self-defence" manner.

Trade union is still weak, having no advisory body to assist the VGCL Presidium with the efficient participation in tripartite mechanism on MW. Negotiations of industrial minimum wage produce so little results and almost zero at enterprise level. Workplace trade unions have not effectively represented employee's rights and interests, therefore conflicts often arise from wage dissatisfaction, accounting for nearly 90% of 4,711 wildcat strikes (data by VGCL Policy and Legal Affairs Department as of June 2012)

6.5. COLLECTIVE BARGAINING, A VITAL FACTOR TO WAGES

Collective bargaining is one of the important tasks of the trade unions; in which, wage negotiation is the most important and the top concern. Following is an overview of the situation of trade union and union organizational structure in Vietnam.

6.5.1. Proportion of trade union members by sector

As of May 2012, there were 113,350 workplace trade unions, of which: 36,683 enterprises unions, the rest is in administrative, public service sector. The current total membership is 7,728,938 distributed in various sectors as follows (see Table 6.5.1)

Vietnamese trade unions currently have 4 basic levels: 1. VCGL (the central level of Vietnamese trade unions); 2. Province and central city Federations of Labour, National Industrial Unions and National Corporation Trade Union directly under the VGCL; 3. District Trade Union and equivalents; 4. Workplace unions. Specifically:

Table 6.5.1. Proportion of trade union members (May 2012)

Criteria	Total	Percentage
Total Membership	7,728,938	100.0%
In which: female	*3,671,245*	*47.5*%
Union members in administrative sectors (State and non-State)	2,782,478	36%
Union members in enterprises	*4,946,460*	*64*%
Breakdown:		
State-owned enterprises	1,195,283	*15.5*%
Foreign invested enterprises	1,692,334	*21.9* %
Domestic investment enterprises	2,058,843	*26.6* %

Source: Organisational Department, VGCL, December 2012.

6.5.2. Collective labour agreement

The Labour Code of 1994 has provisions on enterprise CBA and national industrial CBA, which stipulate rather specifically rules and procedures for concluding CBA but does not specify rules and procedures of collective bargaining in general.

- The rate of enterprises negotiating and signing CBA are presented in the following table:

Table 6.5.2. Rate of enterprises with collective labour agreement out of total number of unionised enterprises

TT	Types of enterprises	Rate of signing collective labour agreements
1	State owned enterprises	96.33%
2	Foreign invested enterprises	64.57%
3	Private enterprises	59.21%
	Total average	65.22%

- Concerning quality of collective labour agreement: According to reports of the provincial and city federations of labour and national industrial unions, quality CBA is about 40%; in which, there are agreements with better provisions than the labour law such as welfare, working time and break time, wages, bonuses, working conditions, benefits for female workers, shift meals, excursions, sickness support, difficulties subsidies, wedding, funeral assistance, transport allowances, birthday gift, health insurance, etc.

- *Limitations in CBA negotiation at the enterprise level*

The number of unionised enterprises having no CBA accounts for rather high percentage. According to the report of province and city federations of labour, national industrial unions and national corporation unions, the CBA coverage rate is rather low, only 65.22% on average. The private sector (private businesses, share holding companies..), this rate reached only 59.21%.

The number of enterprises engaged in real collective bargaining to bring more benefits to the workers is still very low. In current CBA, wages are not of first and most important issue to be negociated.

The quality and effectiveness of CBAs depend much on the negotiation and implementation process, however, only about 50% of enterprises have seriously carried out collective bargaining before concluding CBA and organised the its implementation afterward (mostly in SOEs or equitised enterprises).

CBAs in foreign invested enterprises, private and joint stock companies are mostly superficial and contain provisions mainly borrowing stipulations from the laws, having very few contents on workers’ rights and interests which bring higher than that of labour legislations.

Many enterprises do not study the revised laws and apply them into CBA to make it more compatible with reality. Many others change business types or ownship but fail to renew CBA accordingly. Many enterprises have CBAs expired but fail to get it renegotiated and signed. Lots of CBAs are concluded just to cope with the inspection of the authorities concerned.

- *Causes of limitations*

+ From the provisions of laws on collective labour agreements:

The legislation on collective bargaining does not provide specific details such as: process, partners, objects, contents, time, rules.. of bargaining. As result, negotiations at many enterprises are not substantial.

According to the Labour Code and Trade Union Law of 1994, the Executive Committee of enterprise unions are authorised to represent workers to negotiate and sign collective labour agreements with employers. However, this duty is not suitable to their ability and capacity in current conditions. On the other hand, the law does not define the role of trade unions of immediate upper level and labour office in assisting parties engaged in the process of negotiation. The Labour Code and Trade Union Law of 2012 have added provisions on the responsibility of the trade unions of upper level in supporting negotiating parties..

The provisions on sanctions are not strong enough to force enterprises to comply with regulations of negotiating, concluding and registering CBA, therefore, many enterprises try to avoid even fail to negotiate and conclude CBA.

+ From employer’s side:

Many employers (especially in small and medium enterprises-SMEs) have not realized the importance of CBA, their responsibility of the compliance with the laws and regulations on CBA especially amongst SMEs..

Many enterprises fail to negotiate in good faith the contents to be concluded, to consult workers’ opinions; to fully inform and make known to workers the contents of signed collective labour agreements, to register CBA at the competent authorities (Provincial Department of Labour or Management Board of Industrial Zones);

Employers in some private enterprises and limited liability companies often ignore and avoid discussion on collective labour agreement with enterprise union board, do not respect the latter of in the negotiating and signing process, look down on workers’ interests.

+ From the trade unions of all levels:

In general, enterprise union boards have overcome their limitations in negotiating skills, actively proposed contents of the negotiation and asked employers to sign CBAs. However, there are still a lot of enterprise union boards are passive in making request for bargaining, lack of ability and skills in negotiations, fail to report to and consult on time, fully and accurately with unions of upper level on negotiation status.

Upper-level trade unions: Upper-level trade unions are becoming more active in directing workplace unions in negotiation and signing collective labour agreements. Though many unions have organised training courses and skills training for workplace union boards, there is still no practical support and assistance to workplace unions in making claims and agenda of negotiation, especially the assistance in the process of negotiation and bargaining. Reports to unions of upper levels are not made regularly.

- *Negotiating and signing national industrial CBA*

According to article 54 of the Labour Code 1994, “the provisions on collective bargaining and CBA at enterprise level shall apply to the negotiations and signing of collective agreement within any industry”. Due to this unclear provision, over the past year, since the coming into force of the Labour Code, there has not been any industries to negotiate and sign industrial CBA (except the textile and garment industry)

In fact, it is not easy to select a qualified industry to negotiate and sign such a CBA. The precondition for this is the existence of employers association of a particular industry that operates in a legal framework, having legal status and seal.

According to Decision 1846/QD-LDTBXH on the pilot negotiation of the industrial CBA, Vietnam Textile and Garment industry has met three conditions:

1. Belong to the Vietnam Textile and Garment Association,

2. Have enterprise unions belonging to the National Union of Textile and Garment Workers (VUTG)

3. Employers authorise the Executive Board of Vietnam Textile and Garment Association. Enterprise unions entrust the VUTG to negotiate and sign the National industrial CBA.

With those conditions, in the past years, only the Vietnam Textile and Garment Industry can meet the requirements to conduct pilot negotiations for a national industrial CBA.

The draft CBA had got comments from 130 enterprises in the industry, of which, 69 enterprises with more than 90,000 employees agreed to sign. On 26 April 2010 this National CBA with 14 articles was concluded.

After more than 1 year implementing this national industrial CBA, on 24.06.2011 in Hanoi, the Vietnam Textile and Garment Association and the VUTG met at the 2nd negotiation and renewed the CBA with the involvement of 81 textile and garment enterprises. The CBA is valid for two years. This 2nd agreement has ammended some contents related to meals and minimum wages. Accordingly, the shift meal in region I, II, III, IV, respectively is worth 10, 9, 8, 7 thousand VND. The respective MW are 2.5; 2.3; 2.1; 1.9 million VND per person per month. The enterprises, which have offered terms and conditions higher than the current CBA at the time of signing must ensure, at least, the equal level to the level achieved.

As reported by province and city federations of labour and national industrial unions, by the end of May 2012, the total number of enterprises in the country was 375,716, of which 312,810 enterprises with less than 20 employees, accounting for 83.3%, 62,906 enterprises with over 20 employees.

The number of unionised enterprises is 36, 838 accounting for 9.8% of the total number of enterprises, however, make up for 58.6% of enterprises eligible to form trade unions (enterprises with over 20 employees).

- *Challenges for CBA, contents, scope and beneficiaries*

The biggest challenge for trade unions is to protect the rights and interests of employees in the non-state sector, especially in SMEs, which accounts for more than 80% the total number of enterprises. To protect the rights and interests of employees in this sector, it's necessary to promote the negotiation and signing of CBA. Current labour law states that local trade union is the entity to negotiation and signing CBAs in enterprises. However, most Vietnamese SMEs are not eligible to form trade unions, so there is no union to represent the employee in collective bargaining.

Currently, there are 20 national industrial unions and national Corporation Unions directly under the VGCL but only the VUTG has the employers' association as eligible counterpart in negotiations and collective bargaining. In other industries, there are no employers associations, so collective labour agreement encounter many difficulties and challenges.

- *The negotiation of national industrial CBA is also facing many difficulties and challenges, including:*

+ Absence of representatives of employers at industrial level to negotiate with the representatives of workers being the National Industrial Union.

+ Regulations by law on industrial collective bargaining is also inadequate. The provisions in Article 54 of the Labour Code 1995 stipulated that the negotiations for enterprise CBA can also apply to national CBA within any industries, however, according to Article 176 of the Labour Code 1994, it is not allowed to strike at industrial level in case the negotiations fail.

While collective bargaining for a CBA at industry level is not possible, collective bargaining at the sub industry level or in cluster of enterprises is a necessity. However, there is currently no regulations for this type of negotiation.

- Trade unions are always in a weak position in collective bargaining i.e:

+ Most union reps of enterprise level are part-time. They are employed, paid by the employer under labour contract with employers;

+ There is no mechanism to protect union reps (mechanism to protect union members just added in the new Labour Code and Trade Union Law 2012);

+ The finance capacity of trade unions is limited, so it is difficult to hire good lawyers in the process of negotiation and collective bargaining. Collective bargaining skills, especially wage bargaining of the trade unions is limited. This is the challenge for effective collective bargaining.

- *Limitations of capacity of trade union representatives in the preparation of new CBA*

When preparing for new collective labour agreement, it is important to make a list of negotiation contents basing on the analysis of economic growth, inflation, CPI, household spending, finance, social and economic situation or economic information of their own enterprises and industry. However, the qualifications of union reps generally are not adequate, unable to meet that requirement. A number the union reps. do not use the above information or do not know how to collect and analyse information, or collect it incompletely and inaccurately, which leads to the following problems:

+ Wage is the most important demand of workers, so wage bargaining is the most important issue for trade unions. However, because of many barriers such as sensitiveness, fear of a conflict with employers, this issue has been prioritised in negotiations;

+ Embarrassment and passiveness in making requests and contents of negotiation;

+ Agenda of negotiation is not proposed in appropriate and best time;

+ The request and contents of the negotiation are unrealistic, subjective and not persuasive;

+ Lack of grounds for a result-oriented negotiation, rarely reach a good agreement for workers;

+ Law copying occurred in some enterprises to have a formal CBA, no real negotiation between parties.

The main reason leading to this situation is due to the fact that majority of trade union reps are part-timers, lack the time and skills for collecting and analyzing information of economic growth, inflation, CPI, household spending and other issues related to the rights and interests of workers, not to mention about shortage of bargaining skills..

On the other hand, employers often avoid new collective labour negotiations; hide information about business and finance, citing difficulties in production and business in order to escape responsibility to workers.

In a word, collective bargaining in general, wage bargaining in particular is one of the most crucial tasks of trade unions. This is also the most effective activity to protect workers. If collective bargaining is well maintained and carried out; unions of different levels are well aware of this, union reps are competent, it will bring about direct and positive impact on workers' wages and income.

6.5.3. Cases of labour disputes leading to successful negotiations

The first case: The strike by workers at Canon Vietnam Co., Ltd. (North Thang Long Industrial Park, Hanoi) on 07/06/2012 for higher wages, shorter workinghours.

Hanoi EPZ Trade Union Board and Dong Anh District Federation of Labour along with Canon trade union board carried out negotiation with the managers of the company and as a result: Wages increased (from 2,450,000 VND to 2,700,000 VND); food allowance increased from 180,000 VND to 200,000 VND; diligence allowance from 50,000 VND to 150,000 VND..

The second case: The strike on 23 June 2011 at Giai Duc Ltd company, based in Chuong My, Hanoi (in the strike, a company security staff drove a truck and crushed over striking workers causing 6 people injured and dead) and the strike in Phu Nghia Industrial Park, Hanoi to demand benefits.

Results: meal allowance increased to 13,000VND per portion with no service, electricity and water charges plus 100,000 VND for petrol, wages increased to 1,420,000 VND (5% more compared to the period before strike)

The third case: The strike of taxi drivers at Mai Linh Gia Lai Company, on 29 September 2012 over unreasonable profit sharing and low wages. After negotiations, on 01/10/2012, the company agreed to increase meal quality for the driver, to reduce the rate paid to the company's revenue, to increase wages for the drivers.

The fourth case: on 18 and 19 October2012, 1,700 workers at Tai Loc Ltd Company, Ho Chi Minh City stopped work to ask for basic salary, allowance increase, overtime reduction. After negotiation, the company agreed to increase allowances (from 80,000 VND to 130,000 VND) but rejected to do so for the basic salary on the ground that the salary paid to workers already in compliance with state wage policy by (2 million VND per person per month for region 1); workers do not have to work overtime on Wednesday of every week, receive back pay for striking days.

The fifth case: 3,000 workers at Makalot Company stopped work to protest mistreatments and insults against workers by company foremen. Result: working hours reduced, overtime pay increased, production norm revised, meal quality and allowance improved.

The sixth case: A labour dispute occurred at Company Gadys, Tan Thuan EPZ, District 7, Ho Chi Minh on 2 April 2012 over a bonus of 50,000 VND for May Day, breach of promise by company for a bonus equivalent to a quarter of monthly basic salary, 1 hour off per day for pregnant workers, hindrance for workers to take annual leave, failure to fulfil leave payment, to conclude CBA, excessive overtime against the laws.

The seventh case: Strike at canned food company HIPC Company on 11 - 1 July 2012, Thanh Binh street, Ha Dong Dist., Hanoi. Workers had been forced to work to fainting. The company violated rights to rest of workers, provided no hazardous allowance, no personal protective equipments, no lunch allowance; low wages of only 1, 8 million VND per month. Leaders of Labour Federation in Ha Dong District negotiated with the company to settle the case.

7. CONCLUSION

In recent years, Vietnam has always paid attention to improving the material and spiritual life of the people as well as workers in general. People’s living standards gradually improved.. One of the effective tools used by the State to impact on enterprise wages is MW setting and enforcing.

MW policy is one of the most important policies, having effects and implications on many aspects of the country’s socio-economic life as shown in the following perspectives:

Impact on the labour market: the MW increase will lead to the growth of labour supply as many workers will leave the rural area to seek better pay in enterprise. This trend will be conducive to a situation of fiercer competition of employment and as result labour quality will improve. If MW decreases, workers will come back to the countryside and the informal sector, causing a shortage of labour in the formal sector.

MW policy has a great impact on the absorbability of foreign and domestic investments. In order to attract FDIs, governments of many countries have maintained low MW to minimise labour cost which is an attractive point for investors. This also has effects on the socio-economic development.

MW increase is also an important factor for stimulating of economic demands through consumption growth, conducive to development of production, business and services. In addition, MW policy also has many other socio-economic implications.

In general, MW policies in recent years have brought about certain positive effects on workers' life. However, minimum wage policies and the application and implementation of these policies in practice still reveal certain limitations.

First, even though they have been adjusted annually for over the past 10 years but MW has not achieved needed level. Besides, high CPI and inflation make the MW increase only a way to compensate the price slippage. In addition, the MW increase does not reflect the benefices of achievements in the socio-economic growth and development of the country since GDP, GDP per capita and average income of society still increase significantly.

Second, the real salary of the majority of the employees have not kept pace with inflation, as result, a small part of workers and their families face many difficulties. Although the average income per capita is higher than the national poverty standard, their family living standard is still very low when compared with that of the community they live in.

Third, the overall assessment shows that the poverty rate in Vietnam tends to decrease over the years. However, due to the unstableness and precariousness of employment, income, hard lives (especially in the informal sector and amongst unskilled factory workers), workers and their families are easy to fall into poverty.

Fourth, the determination of M currently depends greatly on "political negotiation", not much on economic indicators. Besides, the real and pro-active participation of trade unions in setting MW is not paid a due attention to meet workers' expectations.

Fifth, the newly established National Wage council will be the venue where " wage negotiation" will take place at national level which is the highest. Therefore, the trade unions should have a strategy and work out necessary actions, with weighty position for intervening in this organisation:

+ In the short term, the VGCL need to actively join the MOLISA in building government institutions, mechanisms of operation of the national wage council, such as: functions, composition, membership, powers and duties of the representatives, research and investigation methods for determining minimum wage at the council.

+ In addition to consultation with experts, the VGCL should set up specialized divisions for counselling and advising the Presidium for MW negotiations, determination as well as providing technical support for VGCL representatives in the council.

+ Every year, the VGCL need to carry out research and investigation on wages, minimum living standards of workers and their families in order to build data on wages in systematic manner. These studies should focus on regulations of MW by hours, days, weeks; by industries, sectors, by minimum needs and minimum living standards of workers.

Along with the use of economic indicators, labour market and the specific indicators on employment, income, livelihood, the VGCL need to use system of data collection of wages as a basis for making recommendations on minimum wage and for annual MW negotiation.

+ In order to enhance the efficiency of MW negotiations at national level, the VGCL should organize negotiations about MW for industries, regions, sectors and industrial zones. Results of these negotiations will serve as practical basis for convincing proposals on MW increase at national level.

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