

NEW REGULATIONS ON STATUTORY MINIMUM WAGES PAID TO EMPLOYEES WORKING UNDER LABOR CONTRACTS

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On June 30, 2024, the Government promulgated Decree 74/2024/ND-CP prescribing statutory minimum wages paid to employees working under labor contracts (**Decree 74**). Upon its effectiveness, Decree 74 will replace the previous Decree 38/2022/ND-CP prescribing statutory minimum wages paid to employees working under labor contracts (**Decree 38**). Below are some notable contents of Decree 74:

First, the regulations on the applicable subjects are provided more specifically. Basically, the regulations on applicable subjects in Article 2 of Decree 74 inherit the entire Article 2 of Decree 38. In addition, point b, clause 2, Article 2 of Decree 74 has clarified that in the case where an employer is an individual, he/she must have full civil act capacity. This regulation has ensured conformity and consistency with the definition of employer in clause 2, Article 3 of the Labor Code 2019.

Second, the regulations on the hourly and monthly statutory minimum wages are changed. Accordingly, the statutory minimum wages specified in Decree 74 are increased by an average of 6% compared to the level prescribed in Decree 38 (in accordance with the plan that the National Wage Council unanimously recommended to the Government in Report No. 02/BC-HDTLQG dated January 12, 2024), specifically:

(i) The hourly statutory minimum wages of each Region under Decree 74 compared to Decree 38 are increased as follows:

- The wage for Region I is increased from VND 22,500/hour to VND 23,800/hour;
- The wage for Region II is increased from VND 20,000/hour to VND 21,200/hour;
- The wage for Region III is increased from VND 17,500/hour to VND 18,600/hour;
- The wage for Region IV is increased from VND 15,600/hour to VND 16,600/hour.



The above hourly statutory minimum wages are determined based on the method of monthly minimum equivalent conversion and standard working time according to the provisions of the Labor Code 2019. This method is recommended to Viet Nam by experts of the International Labor Organization (ILO) and has been used for calculating the hourly statutory minimum wages in 2022.

(ii) The monthly statutory minimum wages of each Region under Decree 74 compared to Decree 38 are increased as follows:

- The wage for Region I is increased by VND 280,000, from VND 4,680,000/month to VND 4,960,000/month;
- The wage for Region II is increased by VND 250,000, from VND 4,160,000/month to VND 4,410,000/month;
- The wage for Region III is increased by VND 220,000, from VND 3,640,000/month to VND 3,860,000/month;
- The wage for Region IV is increased by VND 200,000, from VND 3,250,000/month to VND 3,450,000/month.

The adjusted increase of monthly statutory minimum wages in Decree 74 is from VND 200,000 to VND 280,000 as compared to the level prescribed in Decree 38. According to the assessment by the National Wage Council, this adjustment has shared and harmonized the interests of both employees and enterprises, while paying attention to improving the lives of employees, and at the same time ensuring the maintenance of enterprises' production and business development.

Third, some areas applying the minimum wage according to Regions I, II, III, and IV are readjusted. The readjustment of areas has changed the regional minimum wage in some localities, specifically as

follows:

- Some localities are moved from Region II to Region I: Uong Bi City, Mong Cai City and Quang Yen Town, Dong Trieu Town of Quang Ninh Province; Hai Duong City of Hai Duong Province; Thong Nhat City of Dong Nai Province; Tan An City and Duc Hoa District, Ben Luc District, Can Giuoc District of Long An Province;
- Some localities are moved from Region III to Region II: Kinh Mon Town and Cam Giang District, Nam Sach District, Kim Thanh District, Gia Loc District, Binh Giang District, Tu Ky District of Hai Duong Province; Thai Binh City of Thai Binh Province; Thanh Hoa City, Sam Son City, Nghi Son Town, Bim Son Town of Thanh Hoa Province; Ninh Hoa Town of Khanh Hoa Province; Soc Trang City of Soc Trang Province;
- Some localities are moved from Region IV to Region III: Thai Thuy District, Tien Hai District of Thai Binh Province; Trieu Son District, Tho Xuan District, Yen Dinh District, Vinh Loc District, Thieu Hoa District, Ha Trung District, Hau Loc District, Nga Son District, Hoang Hoa District, Nong Cong District of Thanh Hoa Province; Ninh Phuoc District of Ninh Thuan Province.

The region adjustment of the above localities is to create a reasonable balance in labor prices among neighboring areas due to the strong development of these regions in the labor market. In particular, these localities have successfully developed modern industrial parks and industrial clusters, significantly improving their infrastructure. This has generated a close bond with neighboring regions, where the minimum wage is defined at a higher level.

COMMENTS AND RECOMMENDATIONS

Decree 74 took effect from July 1, 2024, thus enterprises need to review the agreements in their labor contracts, collective labor agreements, and the employers' rules and regulations to adjust and supplement relevant contents to be more beneficial to employees as compared to those in Decree 38. In addition, enterprises need to be well prepared to increase salaries for employees who are receiving wages based on the regional statutory minimum wages under Decree 74 to avoid any administrative sanction for paying employees under the minimum wages; at the same time, increase the respective amount of payment for social insurance, health insurance, unemployment insurance, and trade union contributions for relevant employees.