

Key Labor Regulations Impacting Vietnam's Manufacturing Sector

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This article outlines the areas of Vietnamese labor law that are of interest to employers operating manufacturing facilities.

1. Labor Contracts Essential Clauses for Manufacturing Employers

According to the Labor Code, labor contracts with employees must be in writing and include mandatory provisions. Employers in the manufacturing sector should pay close attention to drafting the following provisions.

(a) Work hours

In the manufacturing sector, employees typically work in shifts; thus, shift schedules (e.g., day shift, night shift, rotating shifts), starting and ending times for each shift, weekly or monthly shift rotation plans, and provisions for shift changes or temporary adjustments are required. Employers can set their working hours for each shift; however, they must adhere to the maximum total hours specified by law. The work hour provisions should also address seasonal fluctuations in workload, if relevant.

(b) Overtime regulations

Overtime means any working hours exceeding the regular working hours. Because Vietnamese law strictly regulates employee overtime, which is subject to change, labor contracts should specify that overtime work shall be determined under the relevant provisions of the law and the employer's internal labor rules.

(c) Salary and Wage

The salaries of employees must be specified in the labor contracts, including the base salary according to the job or position, allowances, and any other supplementary payments. The base salary must be at least the minimum wage required by law. The parties can agree on the methods of compensation aside from wages. It can be based on time, product, or contractual output. The process of compensation must be specified in the labor contracts.

(d) Working Conditions and Safety Measures

The employers must ensure that the working environment and equipment comply with occupational safety regulations. Therefore, it is necessary to include in the labor contract the employee's responsibility to comply with all applicable regulations on occupational safety, including training requirements, maintenance procedures, and internal rules related to occupational health and safety.

2. Managing Working Hours, Overtimes, and Leave

(a) Regular working hours

Under the Labor Code, for those on a daily work schedule, regular working hours shall not exceed 08 hours per day and 48 hours per week. If the employer applies a weekly working schedule, the maximum working time shall not exceed 10 hours per day and 48 hours per week.

(b) Overtime

When requesting the employees to work overtime, employers get their consent and ensure that:

- (i) *Daily limit*: Overtime must not exceed 50% of the regular working hours in a single day. If the employer applies a weekly working schedule, the total number of regular working hours and overtime hours combined must not exceed 12 hours per day;
- (ii) *Monthly limit*: Overtime must not exceed 40 hours in one month; and,
- (iii) *Yearly limit*: Overtime must not exceed 200 hours in a year, except for specific sectors such as the production and processing of export textiles, garments, leather, footwear, electricity, electronics, agriculture, forestry, salt, and aquatic products, as well as other specific cases stipulated by law. In such cases, the working hours shall not exceed 300 hours in one year.

(c) Paid leaves

- (i) *Public Holidays*: Currently, Vietnam observes a total of eleven public holidays. If any public holidays fall on a weekend, the employees are entitled to take the next weekday off. The table below sets out Vietnam's national holidays:

Public holidays	
New Year	01 day (January 1)
Lunar New Year ("Tet")	05 days
Hung King Day	01 day (March 10 of each Lunar Year)
Victory Day	01 day (April 30)
Labor Day	01 day (May 1)
Independence Day	02 days (September 2 and 01, immediately preceding or the following day)

- (ii) *Annual Leave*: The minimum statutory paid yearly leave applicable to employees working under normal conditions is 12 days per year, with an additional day granted for every five years of employment. Employees working in hazardous conditions or under the age of 18 are entitled to 14 days of annual leave. An employee working for the employer for less than 12 months shall be entitled to annual leave days equal to the number of months the employee has worked. Employers may schedule an employee's annual leave according to their business needs. Annual leave is in addition to public holidays.
- (iii) *Other leave entitlements*: In addition to annual leave, employees may take paid leave on special occasions. These include:

- Matrimonial leave: An employee who marries is entitled to three days' leave, and an employee whose children marry is entitled to one day of leave.
- Funeral leave: An employee is entitled to three days off for the death of their parent, a parent-in-law, a spouse, or a child.
- Maternity leave: Female employees are entitled to leave following childbirth for a minimum of six months.
- Paternity leave: Male employees are entitled to 5 to 14 days of leave, depending on circumstances.

3. Minimum Wage and Compensation in Manufacturing: Staying Competitive and Compliant

As mentioned above, the base salary must be at least the minimum wage required by law. Minimum wage standards are established annually at the provincial or municipal level. The Minimum is usually increased by approximately 5-6% every year. Minimum wages for Vietnamese employees from July 1, 2024, are as follows:

Region	Monthly minimum wages
Region I	VND4,960,000
Region II	VND4,410,000
Region III	VND3,860,000
Region IV	VND3,450,000

From July 1, 2025:

- Region I covers the urban areas of Hanoi, Ho Chi Minh City, Quang Ninh, Hai Phong, Dong Nai, and Tay Ninh.
- Region II covers specific areas of Hanoi, Ho Chi Minh City, Can Tho, Da Nang, Hai Phong, Lao Cai, Phu Tho, Quang Ninh, Hung Yen, Bac Ninh, Ninh Binh, Thanh Hoa, Nghe An, Quang Tri, Hue, Khanh Hoa, Lam Dong, Dong Nai, Tay Ninh, An Giang, Dong Thap, Vinh Long, Ca Mau, Thai Nguyen.
- Region III includes provincial cities and the districts of certain provinces.
- Region IV covers the remaining localities.

For manufacturing employees, companies often apply piece-rate payments (paid based on the quantity of product) to ensure labor productivity and cost efficiency. If salary is paid based on product, a product-based labor standard for employees within a specific time frame should be established, determining the corresponding wage unit price per product. The labor contract must specify the "monthly time-based salary," which is calculated based on the established product standard. Determining unit prices and product standards is a complex process that is often handled by the accounting department with the assistance of related professional expertise.

4. Social Insurance and Benefits

Vietnamese and foreign employees with labor contracts having terms of one (01) month and twelve (12) months or more, respectively, are required to contribute to the social insurance scheme. Employers and employees must pay contributions to the State Social Insurance Fund, the amount of which is calculated based on the employee's gross salary. For Vietnamese employees, the employer pays 21.5% (which will not be subtracted from the gross salary), and the employee pays 10.5%. For foreign employees, the respective contribution rates are 20.5% and 9.5%. The total amount paid is subject to a statutory cap. The fund covers employee benefits during sick leave, maternity leave, retirement, and allowances for work-related accidents, occupational disease, and unemployment.

Since social insurance is calculated based on salary, employers need to carefully consider an appropriate salary subject to social insurance to balance business costs and ensure employee benefits. The salary used as the basis for social insurance contributions may exclude specific allowances (as specifically stipulated in the labor contract); however, it must not be lower than the applicable statutory minimum wage.

5. Work Permits and Other Requirements for Foreign Employees

(a) Work permit

In the manufacturing field, especially for FIEs, it is necessary to recruit foreign experts/managers. Before employing foreign employees for ninety (90) days or more, the employer must obtain a work permit or a work permit waiver, if the foreigner falls under one of the work exemption cases as explained below. Subject to the working scheme of the foreigner, the application dossier may include, but is not limited to, a decision on the appointment of the employee to the job position, evidence that the employer failed to recruit Vietnamese employees, and documents proving that the foreigner is qualified to perform the job. The conditions on qualifications and work experience to obtain a work permit are as follows:

Position	Conditions
Manager	Holding a managerial position in the employer (legal representative, directors, employer chairman, etc.)
Expert	Holding a university degree or higher relevant to the position, and: - Having at least 02 years of work experience relevant to the position; or - Having at least 01 year of work experience relevant to the position in the field of finance, science, technology, innovation, national digital transformation or other designated fields by relevant authorities.

Technical worker	Option 1: Having at least 01 year of training relevant to the position, and having at least 02 years of work experience relevant to the position.
	Option 2: Having at least 03 years of work experience relevant to the position.

A few exemptions to the work permit requirement include foreign owners of Vietnamese limited liability companies, certain persons in management positions in JSCs, and foreign lawyers. For such cases, the foreigner must either obtain a work permit waiver position by submitting the application dossier to the authorities at least ten (10) days before starting work, or notify the authorities of their employment at least three (3) working days before commencing work, as applicable.

Additionally, foreign employees participating in an internal transfer program (transfer from offshore parent entity to work at the subsidiary in Vietnam) must have been employed by the parent entity for at least twelve (12) consecutive months before the transfer date.

The term of the work permit/work permit waiver cannot exceed the term of the applicant's labor contract or secondment agreement, or two (2) years, whichever period is shorter. The work permit/work permit waiver is subject to a one-time renewal with a maximum of two (2) additional years. Once the term has expired, the foreign employee must apply for a new work permit/work permit waiver.

(b) Visa and Temporary Residence Card (TRC)

Before entering Vietnam, foreign workers must obtain a working visa. A temporary residence card (TRC) is a multiple-entry visa. Foreigners with a valid work permit or a work permit exemption certificate, as well as their legal spouse and children under 18 years old, can apply for TRCs. Before applying for the TRC, the applicant must have entered Vietnam with a valid visa for the corresponding purpose, such as a work visa or an investment visa. Applicants who entered on tourist visas will not qualify for TRCs. The current processing time at the local authority is five business days from the date the application is filed.

(c) Reporting

In addition to labor reports required by law, companies that recruit foreign workers must submit a report on the employment of foreign labor to the Department of Home Affairs by July 5 and January 5 each year, covering each respective half-year period.

6. Health and Safety

The employers is responsible for organizing training and providing guidance on regulations, internal rules, procedures, and measures to ensure occupational safety and hygiene; supplying adequate equipment and tools to ensure occupational safety and hygiene; providing health care services and conducting occupational disease examinations; and fully implementing the applicable regimes and policies for employees suffering from occupational accidents or diseases.

The laws require the employer to conduct occupational safety and health risk assessment once a year if they belong to the following sectors: coke and petroleum mining and refining; plastic/rubber-based chemical production; production of metal and metal products; mining and quarrying of nonmetallic minerals; construction; ship and boat building and repairing; power generation, distribution and transmission; processing and storage of fisheries and aquatic products; manufacturing of garments, apparels, leathers and shoes; scrap recycling; and environmental cleaning.

Due to the nature of the manufacturing industry, numerous hazards exist in the working environment, particularly those related to machinery and equipment. Therefore, companies must strictly comply with occupational safety and health regulations to minimize potential risks. In practice, companies often conduct occupational safety and health training sessions for employees and perform regular inspections of machinery and equipment to ensure compliance and maintain a safe working environment.

7. Occupational Accidents

An occupational accident is an incident that causes bodily injury or death to an employee, occurring during the work process and associated with the performance of work or job duties. The employer is responsible for assessing and controlling hazardous factors and implementing lawful measures to minimize the risk of occupational accidents. For specific job positions that require strict compliance with occupational safety and hygiene standards, such as assembling, operating, repairing, maintaining, or cleaning grinders, saws, milling machines, electrical equipment, welding tools, metal cutting tools, etc. the employer must organize safety training for employees and issue safety cards before assigning them to perform such tasks.

In the event of an occupational accident, the employer is responsible for taking all necessary measures to rescue the affected employee(s), prevent further damage, and provide first aid and medical treatment. Additionally, the employer must establish an internal investigation team to investigate the cause of the accident, publish the investigation results, and report the incident to the trade union and the Department of Home Affairs, as applicable.

The employer and the Social Insurance Fund are jointly responsible for paying compensation or an allowance to employees who are injured in a work-related accident. The amount of compensation/allowance payable by the employer depends on the degree of reduction of work capacity caused by the injury, the employer's culpability for the accident (if any), and the details are as follows:

Item No.	Injured employee's reduced working capacity	Entitlement	
		The employee was either partially at fault or not at fault for the accident.	The employee was entirely at fault for the accident.
		(A)	(B)
1.	By 5% to 10%	Compensation equal to at least 1.5 months' salary for employees	Allowance equal to at least 0.6 months' salary for employees

2.	By 11% to 80%	An additional 0.4 month's salary is added for each 1% increase in the loss of working capacity.	Allowance equal to 40% of the compensation in 2(A).
3.	81% or more, or the employee dies ¹	Compensation equal to at least 30 months' contracted salary	Allowance equal to at least 12 months' contracted salary

8. Collective Labor Agreements

A Collective Labor Agreement (“**CLA**”) is a written agreement resulting from collective bargaining between the employers and their employees. While an employer is not legally required to establish a collective labor agreement, it is often implemented when there is a need to stipulate additional rights and obligations for employees beyond what is provided in the internal labor regulations and the Labor Code. CLAs are common when an employer has a large unionized blue-collar workforce. CLAs primarily foster harmonious, stable, and sustainable labor relations by providing a framework for dialogue, negotiation, and agreement between employers and employees, represented by trade unions. These agreements help ensure fair wages, safe working conditions, and other benefits for workers, contributing to a more balanced and productive work environment.

A collective labor agreement may only be signed when more than 50% of the employees of the employers vote in favor. Within 10 days from the date of signing, the employer that is party to the agreement must submit one copy of the collective labor agreement to the labor authority under the Provincial People's Committee where the employer's head office is located.

9. Labor Unions

A grassroots trade union is an organization that represents employees, aiming to protect their legitimate rights and interests in labor relations through collective bargaining or other forms as prescribed by labor laws. Participation in and the establishment of a grassroots trade union is voluntary and based on the employees' own decision. For large-scale manufacturing enterprises, the employers are encouraged to support and facilitate the establishment of a trade union executive committee and its registration with the executive committee of the higher-level trade union, to help ensure the protection of employees' rights and interests. Additionally, employers are responsible for contributing 2% of the total salary fund to the Trade Union Fund, which serves as the basis for calculating compulsory social insurance premiums for employees and is allocated to the trade union budget.

¹ If an employee dies in a work-related accident, the compensation is paid to his family.

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