

EMPLOYMENT & HR COMPLIANCE: Hiring & Managing Staff in Vietnam —

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AGENDA —

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LEGAL FRAMEWORK: MAJOR INSTRUMENTS

- **2019 Labor Code** serves as the main legislation for employment relations in Vietnam.
- Other laws govern various aspects of employment relations: Law on Social Insurance, Law on Health Insurance.
- Employment relations are also governed by various other guiding Government Decrees and Ministerial Circulars.



LABOUR LAWS: KEY POINTS

- Relatively employee-friendly
- Apply to both Vietnamese and expatriates working in Vietnam
- Set out generally the rights and obligations of both employers and employees
- Labour regulators: The Ministry of Labor, War Invalids, and Social Affairs (MOLISA) has been integrated with the Ministry of Home Affairs (MOHA) as of February 2025. As a result, the primary labour regulators are now:
 - ✓ The Ministry of Home Affairs (MOHA)
 - ✓ The Provincial Department of Home Affairs (DOMOHA)

Notes:

Specific guidelines from the MOHA in the form of written official letters addressing inquiries from employers and local labor agencies, play an important role in dealing with complex and unclear employment matters

HIRING STAFF

1. Employment Relations

- Employment relations are established on the basis of labour contracts
- Labour contracts must be entered into prior to hiring staff and must be in writing (e-labour contracts are also permitted)
- Oral contracts allowed in limited circumstances, such as when the contract term is less than one month
- Labour contracts must include statutory contents as prescribed by law
- Generally, it is not allowed to contract out of the terms of the labour laws



HIRING STAFF

2. Labour Contracts

**Definite-term
labour contract**

The maximum term is 36
months

**Indefinite-term
labour contract**

The term is indefinite

- **Key rules for definite-term contracts:**

- ✓ will automatically convert into an indefinite-term if no extension is signed within 30 days of the original contract's expiration.
- ✓ may only be extended once.

HIRING STAFF

3. Probation period

- **Maximum Duration:**

- ✓ **Company executives** specified in the company's charter: 180 days
- ✓ **Skilled staff:** 60 days
- ✓ **Unskilled staff:** 30 days

- **Key Rules:**

- ✓ No extension for probationary period is permitted
- ✓ Probationary salary: 85% of the salary specified in the labour contract
- ✓ During the probation period, either party may terminate the labour contract without prior notice or compensation

MANAGING STAFF

1. Working Hours & Overtime Allowances

Working Hours	Overtime Allowances
<ul style="list-style-type: none">▪ Normal working hours: 8 hours/day; 48 hours/week▪ Total ordinary working hours and overtime must not exceed 12 hours per day▪ Overtime limits:<ul style="list-style-type: none">✓ Total overtime must not exceed 40 hours per month and 200 hours per year✓ In special cases: overtime does not exceed 300 hours per year	<ul style="list-style-type: none">▪ On normal days: at least 150%▪ On weekly days off: at least 200%▪ On holidays and paid leave days: at least 300%

MANAGING STAFF

2. Statutory Compensation & Benefits

2.1 Minimum Wage

- Wages to be agreed upon by the parties, but cannot be lower than the minimum wages set by the Government
- Minimum wages are to be reviewed annually. As of 1 July 2024 are:
 - ✓ **Area I** (Hanoi and Ho Chi Minh City): VND4,960,000 (appx. US\$202)
 - ✓ **Areas II**: VND4,410,000 (appx. US\$180)
 - ✓ **Areas III**: VND3,860,000 (appx. US\$158)
 - ✓ **Areas IV**: VND3,450,000 (appx. US\$140)

MANAGING STAFF

2. Statutory Compensation & Benefits

2.2 Bonuses & Incentives

- Bonuses are based on the company's annual production and business results, as well as the employees' performance.
- Companies must publish their bonus policy at the workplace, which requires consultation with the executive committee of the trade union prior to issuance. Failure to comply with this requirement may result in an administrative penalty ranging from VND10,000,000 to VND20,000,000.
- Year-end bonuses (commonly referred to as the "13th-month salary") are not mandatory, but is a common practice to be paid in Vietnam.
- If an annual bonus is paid under a contractual agreement, employees may be entitled to a pro rata bonus payment upon termination of their employment.

MANAGING STAFF

2. Statutory Compensation & Benefits

2.3 Social and Health Insurance Contributions

- Types of compulsory social insurance:

Social Insurance
(SI)

Health Insurance
(HI)

Unemployment
Insurance (UI)

- Applicability:

✓ SI and HI apply to both Vietnamese and expatriate employees

✓ UI applies exclusively to Vietnamese employees

- Contribution rates:

Social Insurance	Employer (%)		Local (%)	Foreigner (%)
	Local	Foreigner		
SI	17.5	17.5	8	8
HI	3	3	1.5	1.5
UI	1		1	0
Total	21.5	20.5	10.5	9.5

MANAGING STAFF

3. Internal Labour Regulations (ILRs)

- **Mandatory requirement:** Enterprises with 10 or more employees must establish ILRs.
- **Required contents:** ILRs must include certain contents:
 - ✓ Work hours
 - ✓ Rest time
 - ✓ Order in the company
 - ✓ Labour safety and hygiene
 - ✓ Protection of company assets and technology secrets
 - ✓ Specific forms of disciplinary measures
- **Registration:** ILRs must be registered with the provincial labour regulator (DOMOHA).
- **Publication:** The main contents of ILRs must be published at the workplace.
- **Union Consultation:** Consulting the trade union and convening a workplace dialogue in accordance with the Company's Democracy Regulations are required prior to the issuance of ILRs.

MANAGING STAFF

4. Democracy Regulations

- **Mandatory requirement:** Enterprises with 10 or more employees must have Democracy Regulations in place.
- **Purpose:** Democracy Regulations must be established when convening workplace dialogues.
- **Required Workplace Dialogue:** The workplace dialogue is mandatory in the following matters:
 - ✓ Issuance of the IRLs;
 - ✓ Organizational restructuring;
 - ✓ Issuance of performance appraisal rules to assess work completion levels for unilateral termination of labour contracts due to employees' poor performance.
- **Consequences of Non-Compliance:** Failure to convene a workplace dialogue before issuing the above rules and regulations may result in their legal validity being challenged by the competent authorities.

MANAGING STAFF

5. Collective Labour Agreement (CLA)

- CLA is a written agreement between employees and the employer.
- **Major contents:**
 - ✓ Working hours and rest breaks
 - ✓ Salaries and bonuses
 - ✓ Allowances and benefits
 - ✓ Labour protection and occupational safety
 - ✓ Social insurance for employees
- **Requirement for CLA:** The CLA is not mandatory unless a Trade Union is established and formally requests the employer to enter into such an agreement.
- **Registration:** The CLA must be registered with the provincial labour regulator (DOMOHA).

RULES FOR EXPATRIATES WORKING IN VIETNAM

- **Work Permit Requirement:** Except for certain exceptions, all foreigners must obtain a work permit or a work permit exemption confirmation to legally work in Vietnam.
- **Term of Validity:**
 - ✓ The maximum term for a work permit or work permit exemption confirmation is 24 months.
 - ✓ It can be extended once.
 - ✓ After the first extension, a new work permit must be applied for if the expatriate continues working in Vietnam.

RULES FOR EXPATRIATES WORKING IN VIETNAM

- **Post-Issuance Requirements:** After the work permit is issued, the company must:
 - ✓ Enter into a labour contract with the expatriate.
 - ✓ Apply for a temporary residence card with a term equivalent to the work permit to ensure legal stay in Vietnam.
- **Penalties for Violations:**
 - ✓ Expatriates: Violations of work permit regulations may be deported.
 - ✓ Employers: Companies may face administrative penalties ranging from VND60,000,000 to VND150,000,000 depending on the number of expatriates involved.

THANK YOU _



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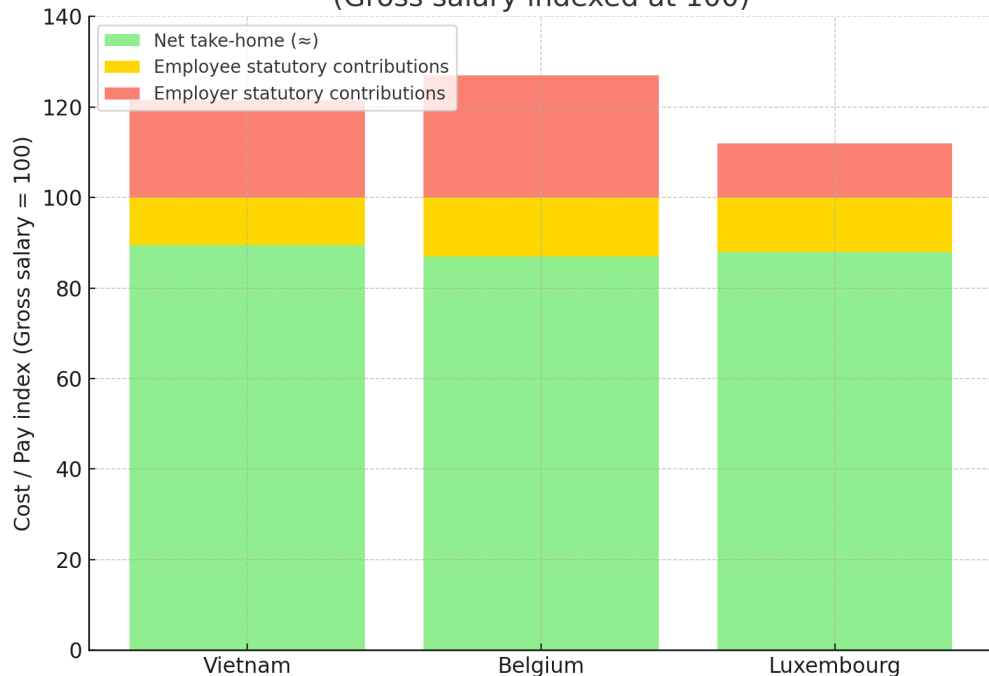
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A THREE-WAY COMPARISON

Indicative Wage Cost Pyramid: Vietnam vs Belgium & Luxembourg
(Gross salary indexed at 100)



* Gross salary is indexed at **100** in each country.

* The colored layers stacked above (or withheld from) that 100 show:

1.Employee statutory deductions (yellow) → what is withheld before the employee gets paid.

2.Employer statutory contributions (red) → what the company pays on top of gross salary.

3.The (green) base that remains is the approximate net take-home (before personal income tax).

A THREE-WAY COMPARISON

Country	Employer burden (≈)	Employee burden (≈)	Total employer cost index	Net take-home index*
Vietnam	21.5% (SI 17% + HI 3% + UI 1.5%)	10.5 %	121.5	89.5
Belgium	27 % (social security)	13 %	127	87
Luxembourg	12 %	12 %	112	88

** Take-home excludes personal income tax, which is highly progressive in all three jurisdictions.*

EU-VIETNAM HR COMPLIANCE CONTRASTS

Topic	Belgium / Luxembourg (EU)	Vietnam
Probation / Trial	Up to 6 months for most roles (Belgium); 12 months for executives in Luxembourg	≤ 180 days for C-suite/high-skill; 60 days for professionals; 30 days for blue-collar
Standard Work Week	38h (Belgium)/ 40h (Lux), strict overtime authorisation	48h; overtime cap 40h/month, 200–300h/year depending on sector
Overtime Premium	150% weekdays, 200% Sundays & holidays (Belg.)	150 % weekdays, 200 % weekends, 300 % public holidays
Regional Minimum Wage	Belgium: €2 029 gross/month Luxembourg: €2 508 gross/month	VND 3.45–5.2M/month (≈ €130–195) by region; 6% rise from 1 Jul 2024
Statutory Employer Payroll %	Belgium ≈ 27% Luxembourg ≈ 12%	21.5% Vietnamese staff; 20.5% foreign staff
Employee Payroll %	13% (Belg.) 12% (Lux)	10.5% Vietnamese staff, 9.5% foreign staff
Paid Annual Leave	20 days + public holidays (Belg.), 26 days (Lux)	12 days (≥10 years svc: +1 day/5 yrs) + 11 public holidays
Termination Grounds	Broad (redundancy) + notice/pay in lieu	Limited grounds; economic layoffs require Redundancy Plan & 30-day consultation
Severance	Formula based on tenure & salary (≈1 month/yr for mid-levels)	0.5 month salary/service year (all terminations except disciplinary)
Collective Bargaining / Unions	Sector-level CBAs; works councils obligatory >100 staff	Single state-run union; draft law to allow independent unions 2025–26
Work Permits for EU Nationals	Not required within EU	Foreigners need Work Permit (2-yrs) or ≤30-day exemption; 6–8 week lead time
Internal Rules	Employee handbook customary but not state-registered	Internal Labour Regulations mandatory & must be registered once ≥10 staff
Data-Privacy Impact	GDPR applies to all HR data	Personal Data Protection Decree (effective as of 1 July 2023) → consent logs & cross-border transfer filing

KEY TAKEAWAYS

- **Employer payroll burden** ($\approx 21.5\%$) is lower than in Belgium but higher than in Luxembourg when foreign staff become fully liable for social insurance contribution in July 2025.
- **Employee deductions** are modest, so Vietnamese staff perceive a higher net share of their gross than their European counterparts, useful when drafting competitive packages.
- **Budget realistically:** for every USD1 of agreed gross wage in Vietnam, plan to spend about USD1.22 once compulsory social costs are included (vs. \sim USD1.27 in Belgium).
- **Salary benchmarking** should always layer these statutory costs on top of headline gross offers to avoid unpleasant surprises in annual-cost projections.