



**INDOCHINE  
COUNSEL**  
Business Law Practitioners

Client Guide

# EMPLOYMENT GUIDE

June 2026



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# Introduction

1

Vietnam's employment landscape is shaped by a legal system designed to protect employees while preserving operational flexibility for employers. Employment relationships in Vietnam are governed by the 2019 Labour Code (the "**Labour Code**") and its guiding regulations. The Labour Code provides a comprehensive and transparent legal framework defining the rights and obligations of both employers and employees, with the overarching goal of ensuring fairness, stability, and harmony in the workplace.

2

In comparison to certain other jurisdictions in the region, Vietnamese labour law provides a relatively high level of protection to employees. The Labour Code adopts a mandatory and employee-protective approach, whereby employers and employees may not agree on terms and conditions that are less favourable to the employees than the conditions prescribed in labour legislation. However, the parties remain free to agree on terms that are more favourable to employees.

3

At the same time, the Labour Code also recognizes the operational needs of employers by providing clear grounds and procedures for workforce management measures, including termination of employment, restructuring, disciplinary dismissal, and redundancy arrangements, all of which must be implemented in strict compliance with applicable statutory requirements.

# Labour Contract

## Form of Labour Contract

4

Except for short-term labour contracts with a term of less than one month, labour contracts must be made in writing. E- labour contracts established in the form of data messages in accordance with the 2023 Law on Electronic Transactions and its relevant guiding regulations are recognized as written labour contracts. In addition, where the parties enter into an agreement under any title or form, but such agreement contains provisions relating to (i) paid work and salary, and (ii) the management, administration, and supervision by one party over the other, such agreement may be deemed a labour contract under Vietnamese law, regardless of its stated title or designation.

## Mandatory Contents

5

In principle, a labour contract must contain certain mandatory contents, including: information relating to the employee and the employer, the work to be performed, working hours and rest breaks, salaries, the method and timing of salary payment, allowances, and other additional payments, regime for salary increases and promotion, location of job, duration of contract, conditions on occupation, safety and hygiene, training, and participation in social insurance, health insurance and unemployment insurance for the employee. In addition to these mandatory contents, and depending on the nature of the industry or position, employers may include additional provisions such as clauses relating to the protection of intellectual property rights, confidentiality obligations, protection of trade secrets, and non-compete and non-solicitation undertakings. Any such additional provisions must comply with the Labour Code and applicable Vietnamese laws generally.

## Appendix to Labour Contract

6

An appendix to a labour contract may be used to specify, amend, or supplement certain terms and conditions of the labour contract and must be agreed upon in writing by the parties. However, such an appendix must not amend or alter the terms of the original labour contract.

## Duration and Renewal

7

The labour contracts may be entered into on either an indefinite-term or a definite-term basis. A definite-term labour contract may have a maximum duration of 36 months, with no statutory minimum term required. Where a definite-term labour contract expires and the employee continues working, the parties must enter into a new labour contract within 30 days from the expiry date of the original labour contract. During this 30-day period, the rights and obligations of both parties remain governed by the expired labour contract. If no new labour contract is entered into within such period, the expired labour contract shall automatically convert into an indefinite-term labour contract.

8

A definite-term labour contract may only be renewed once for an additional term of up to 36 months. Thereafter, the employer must enter into an indefinite-term labour contract, except in certain statutory cases, including employees hired as directors of enterprises with State-owned capital, foreign employees working in Vietnam under work permits, elderly employees and employees being a member of the leadership of an organization representing employees at the enterprise if their labour contract expires during their term of office.

# Probation

9

The employer and the employee may agree on a probationary period and specify their respective rights and obligations during such period. Probation shall not apply to employees entering into labour contracts with a term of less than one month. The parties may either (i) include the probationary terms directly in the labour contract, or (ii) enter into a separate probation contract.

## Duration of Probation

10

The duration of a probationary period depends on the nature and complexity of the relevant position. However, the probation may only be conducted once in respect of a particular job and must not exceed 180 days for managers/executives of an enterprise pursuant to the Enterprise Law, 60 days for positions requiring a college-level qualification or higher; 30 days for positions requiring an intermediate-level qualification or for technicians or trained staff; and six days for all other positions.

## Salary and Termination During Probation

11

During the probationary period, the employer must pay a salary that is equal to at least 85% of the salary applicable to the position once officially employed. Either party may terminate the probation arrangement or employment relationship during the probationary period without providing advance notice and without any obligation to pay compensation, unless otherwise agreed by the parties.

# Performance of Labour Contracts

## General Principle and Exceptional Circumstances for Reassignment

12

The labour contract is specific to the employee and must be performed directly by the employee who entered into it. As a general principle, employers must ensure that they do not assign employees to perform work that differs from the work agreed in the labour contract, unless the employee consents or the reassignment falls within exceptional circumstances permitted by law, such as a natural disaster, fire, or dangerous epidemic; application of measures to prevent or remedy a labour accident or occupational disease; a power or water supply breakdown; or for production and business requirements. In cases where reassignment is based on production or business requirements, the employer must clearly define such circumstances in its internal labour regulations.

## Duration

13

The employer may temporarily assign an employee to perform work other than that specified in the labour contract for a maximum aggregate period of 60 working days within a calendar year. If the reassignment exceeds this statutory limit, the employer must obtain the employee's written consent before continuing the assignment.

## Procedural Requirements

14

Before temporarily reassigning an employee to perform work other than that specified in the labour contract, the employer must provide the employee with at least three working days' prior notice, specify the duration of the temporary reassignment, and ensure that the new work is suitable for the employee's health and gender. Any such reassignment must be accompanied by a corresponding adjustment to the employee's salary. Where the salary applicable to the new position is lower than the employee's current salary, the employee is entitled to retain the previous salary for a period of up to 30 working days. Thereafter, the new salary for the reassigned position must be at least 85% of the previous salary and not lower than the minimum salary.

15

Labour contracts may also be suspended or altered to reflect a part-time employment arrangement, provided such changes are implemented in accordance with the Labour Code and with the employees' consent.

# Termination of Labour Contracts

## General Principle

16

Termination of a labour contract must strictly comply with the provisions of the Labour Code. Notably, at-will termination by employers is not permitted under the Labour Code. An employer may only terminate a labour contract prior to its expiry in specific circumstances expressly provided by the Labour Code. On the contrary, an employee is afforded broader rights to unilaterally terminate his/her labour contract, provided that he/she complies with the applicable prior notice requirements under the Labour Code, except in certain statutory cases where advance notice is not required.

17

A labour contract may generally be terminated in the following circumstances:

- ✓ Unilateral termination by the employer;
- ✓ Unilateral termination by the employee;
- ✓ Termination resulting from organizational or technological restructuring, economic reasons, or corporate changes such as division, separation, merger, or consolidation; or
- ✓ Automatic termination.

## Unilateral Termination by the Employer

18

An employer may only terminate a labour contract on specific grounds expressly permitted under the Labour Code, including the following circumstances:

- ✓ The employee repeatedly fails to satisfy the job performance established in accordance with the performance assessment standards set out in the employer's internal labour regulations;
- ✓ The employee suffers from illness or injury and has undergone medical treatment for 12 consecutive months for an indefinite-term contract, six consecutive months for a definite-term contract of 12–36 months, or more than half of the contract term for a definite-term contract of less than 12 months, and remains unable to resume work;
- ✓ The employer is required to reduce the workforce due to natural disasters, fires, dangerous epidemics, wars, relocations, or business downsizing as required by competent state authorities, after having exhausted all available remedial measures;
- ✓ The employee fails to return to work upon expiry of the statutory suspension period under the Labour Code;
- ✓ The employee reaches the statutory retirement age;
- ✓ The employee is absent from work for five consecutive working days or more without a legitimate reason; and
- ✓ The employee provided false information during the recruitment process, thereby affecting the employer's hiring decision.

19

Depending on the applicable ground for termination, the requirements relating to severance or job-loss allowance, notice periods and termination procedures may vary.

## Unilateral Termination by the Employee

20

Employees may unilaterally terminate their labour contracts at any time without having to provide a reason, provided that they comply with the advance notice requirements prescribed under the Labour Code. The statutory notice period is generally 45 days for indefinite labour contracts, 30 days for definite labour contracts with a period between 12 months and 36 months, and three days for definite labour contracts with a period of fewer than 12 months. In certain exceptional circumstances prescribed by law, employees may resign without prior notice, including where they are assigned work inconsistent with the agreed labour contract, are not paid in full or on time, are subjected to workplace harassment, or are exposed to unsafe or unhealthy working conditions.

## Termination Resulting from Organizational or Technological Restructuring, Economic Reasons, or Corporate Changes

21

A labour contract may be lawfully terminated when an enterprise undergoes organizational or technological restructuring or faces economic difficulties that directly affect employment:

- ✓ Organizational or technological restructuring: This covers situations where the enterprise is required to restructure its operations or workforce, including: Changes in the organizational structure or workforce arrangement; Modification of production or business processes, technology, machinery, or equipment related to the enterprise's line of business; Adjustment of the enterprise's products or product mix;
- ✓ Economic reasons: Termination may also occur where the enterprise encounters genuine economic difficulties, including: An economic crisis or recession; Implementation of State policies or legal obligations relating to economic restructuring or international commitments; and
- ✓ Corporate changes: Labour contracts may also be terminated as a result of corporate restructuring or ownership changes, including division, separation, merger, consolidation, sale, lease, conversion of enterprise type, or transfer of ownership or use rights of enterprise assets.

22

Under the Labour Code, the right to terminate labour contracts in these circumstances is neither absolute nor automatic. Rather, it is a conditional right that may only be exercised where two key requirements are satisfied: (i) the employer must demonstrate legitimate and verifiable organizational, technological, or economic reasons for the termination; and (ii) the employer must strictly comply with the statutory procedures prescribed under the Labour Code, including the preparation of a labour utilization plan, consultation with the employee representative organization (if any), proper notification to competent authorities, and payment of the required job-loss allowance. These requirements are intended to ensure transparency and fairness, while preventing employers from using restructuring measures as a pretext for arbitrary or unjustified dismissals. In this way, Vietnamese labour law seeks to protect the lawful rights and interests of employees and promote fair labour practices.

## Automatic Termination

23

Labour contracts also terminate automatically in certain circumstances prescribed by the Labour Code, including:

- ✓ Expiry of the labour contract term (for definite-term labour contracts), except where the employee is serving as a member of the executive committee of the internal employee representative organisation at the enterprise whose term of office has not yet ended;
- ✓ Completion of the work specified under the labour contract;
- ✓ Mutual agreement between the parties to terminate the labour contract;
- ✓ The employee is convicted and sentenced to imprisonment without suspension or is not eligible for conditional release;
- ✓ The work permit of a foreign employee becomes invalid;
- ✓ The employee or an individual employer dies, is declared missing, or loses civil act capacity; or, in the case of an organisational employer, where the employer ceases operations;
- ✓ The employee becomes eligible for retirement, having met both the required social insurance contribution period and pension age;
- ✓ The employee is dismissed pursuant to a disciplinary decision; and
- ✓ The employee fails to satisfy the probationary requirements where the probation arrangement forms part of the labour contract.

## Financial Obligation Due To Termination

24

Upon termination of a labour contract, the employer must settle all financial obligations in accordance with the Labour Code. All outstanding salary payments, compensation for unused annual leave, and other lawful entitlements must generally be paid within 14 working days from the termination date, although this period may be extended to up to 30 days in certain exceptional circumstances prescribed by law. The employer is also responsible for completing procedures relating to the employee's social, health, and unemployment insurance contributions, finalising relevant personal income tax obligations, and returning or providing all necessary documents to enable the employee to claim statutory benefits and complete subsequent employment procedures.

25

The applicable minimum severance allowance or job-loss allowance will depend on the specific ground for termination of the labour contract.

- ✓ Job-loss allowance: one month's salary for each year of employment, but no less than two months' salary in case of termination of an employment contract as a result of organizational changes, economic reasons, or corporate changes; and
- ✓ Severance allowance: one-half month's salary for each year of employment in case of termination of an employment contract as a result of (i) Automatic termination (except for dismissal or the foreign employee's expulsion from Vietnam under a legally effective court judgment or decision, or a decision of

a competent state authority); (ii) Unilateral termination by the employer; and (iii) Unilateral termination by employee. Severance allowance is not applicable where the employee is eligible for a pension under the social insurance laws or where the labour contract is terminated due to the employee's absence from work for five consecutive working days.

26

For both job-loss allowance and severance allowance, the relevant working period for calculation should exclude the period during which the employee participated in unemployment insurance and any period for which severance allowance or job-loss allowance has already been paid.

# Equality, Non-Discrimination, and Prevention of Sexual Harassment

27

The Labour Code establishes the principle of equality in employment, requiring employers to ensure equal opportunities and fair treatment for all employees in recruitment, employment, training, promotion, and working conditions. Employers are prohibited from engaging in discrimination on the basis of gender, race, skin colour, social status, beliefs, religion, HIV status, marital status, pregnancy, disability, or other discriminatory grounds prescribed by law. Sexual harassment in the workplace is also strictly prohibited. Employers are further required to ensure equal pay and must not discriminate in remuneration on the basis of gender.

28

The Labour Code expressly defines sexual harassment in the workplace as any conduct of a sexual nature by one person toward another in the workplace that is unwelcome or unacceptable to the recipient. For these purposes, the “workplace” includes any location where an employee performs work pursuant to the employer’s assignment or agreement between the parties. The Labour Code further provides that an employee who is subjected to sexual harassment may unilaterally terminate the labour contract immediately without prior notice. Employers are required to incorporate provisions on the prevention of sexual harassment into their internal labour regulations as mandatory content. Acts of discrimination or harassment may give rise to disciplinary measures, administrative sanctions, or criminal liability, depending on the nature and severity of the violation. Employees who are victims of discrimination or harassment are entitled to lodge complaints with the employer, labour inspectorates, or other competent authorities in accordance with applicable law.

29

Employers are also encouraged to implement preventive and remedial measures, including internal awareness training, confidential reporting mechanisms, and prompt investigation procedures, in order to maintain a fair, inclusive, and discrimination-free working environment and ensure compliance with Vietnamese labour laws.

# Minimum Salary

30

The laws provide for two categories of minimum salary: reference level (replacing the previous basic salary) and regional minimum salary.

## Reference Salary Level

31

The reference salary level is set annually by the Government based on economic conditions, including the consumer price index, GDP growth, and the financial capacity of the state budget and the social insurance fund. It is used as the basis for calculating compulsory social insurance contributions.

32

Contributions to compulsory social insurance are calculated based on the salary stated in the labour contract. However, where the salary exceeds 20 times the reference salary level, the contribution base is capped at such threshold.

33

As of 1 July 2026, the reference salary level is VND2,530,000. These salary levels are subject to adjustment by the Government from time to time.

## Regional Minimum Salary

34

The regional minimum salary is the minimum monthly salary to which an employee is entitled. Based on the level of economic conditions, the Vietnamese Government divided the whole country into four regions (i.e., regions I, II, III, and IV). Region I includes certain areas of Hanoi and Ho Chi Minh City. A region denominated with a higher number means it is less economically developed. Currently, the regional minimum salary applicable to Region I is VND5,310,000 per month.

# Working Conditions

35

The Labour Code establishes comprehensive rules on working hours, rest breaks, overtime, night work, public holidays, and annual leave to protect employees' health and ensure work–life balance while maintaining operational flexibility for employers. Employers are required to organize working hours and rest periods in accordance with statutory standards and to ensure that employees work under fair, safe, and humane conditions in accordance with applicable labour laws.

## Working Hours

36

Normal working hours must not exceed 8 hours per day or 48 hours per week. Where working hours are arranged on a weekly basis, the total working time must not exceed 10 hours per day and 48 hours per week. Employers are encouraged to implement shorter working hours, such as a 40-hour workweek, in order to promote employees' health, work–life balance, and overall productivity.

## Overtime

37

Employers may require employees to work overtime only where the statutory conditions under the Labour Code are satisfied, including compliance with applicable overtime limits and obtaining the employees' consent.

- ✓ Daily limit: Overtime must not exceed 50% of normal working hours in a day;
- ✓ Weekly arrangement: Where working hours are organized by week, the combined total of normal working hours and overtime must not exceed 12 hours per day;
- ✓ Monthly limit: Overtime must not exceed 40 hours per month; and
- ✓ Annual limit: Overtime is capped at 200 hours per year, except in specific sectors or special circumstances prescribed by law such as, seasonal production, urgent orders, or time-sensitive projects, where overtime may be extended to 300 hours per year.

38

Where overtime exceeds 200 hours per year, the employer must provide written notification to the competent labour authority within 15 days from the commencement date of such extended overtime arrangement.

## Night Work

39

Night work refers to work performed between 10:00 p.m. and 6:00 a.m. of the following day. Employees performing work during this period are entitled to an additional payment of at least 30% of the salary calculated based on the unit salary or actual salary applicable to equivalent work performed during normal daytime working days.

40

Where an employee performs overtime work at night, the employee is entitled, in addition to overtime pay and night work pay, to an additional payment equal to at least 20% of the wage calculated based on the unit wage

or actual wage for the same work performed during normal daytime working hours on ordinary working days, weekly rest days, or public holidays, as applicable.

## Rest Breaks

41

Employees who work for six or more consecutive hours in a day are entitled to a continuous rest break of at least 30 minutes. Employees working at night are entitled to a continuous rest break of at least 45 minutes. For employees working continuous shifts of six hours or more, the applicable rest break shall be counted as paid working time. In addition, employees working in shifts must be provided with at least 12 consecutive hours of rest before commencing another shift.

## Weekly Rest Days

42

Employees are entitled to at least one day off per week, consisting of 24 consecutive hours of rest. Where the nature of the work does not permit a fixed weekly rest day, the employers must ensure that the employees receive an average minimum of four rest days per month.

43

The employer is entitled to determine the weekly rest day, whether Sunday or another fixed day of the week, provided that such arrangement is clearly specified in the employer's Internal Labour Regulations.

## Public Holidays

44

Employees are entitled to 12 fully paid public holidays per year, including: New Year's Day (1 day); Lunar New Year (5 days); Hung Kings' Anniversary (1 day); Reunification Day (1 day); International Labour Day (1 day); National Day (2 days) and Vietnam Culture Day (1 day). Foreign employees working in Vietnam are also entitled to one traditional New Year's holiday and one National Day of their home country. Where a public holiday falls on a weekly day off, employees are entitled to a compensatory day off.

## Annual Leave

45

Employees with 12 months of service are entitled to 12 days of paid annual leave per year. Those engaged in heavy, hazardous, or dangerous occupations or especially heavy, hazardous, or dangerous occupations are entitled to 14 or 16 days, respectively, depending on the job classification.

46

Employees who have not yet completed 12 months of service with an employer are entitled to annual leave calculated on a pro-rata basis according to the number of months worked. The leave entitlement increases by one additional day for every five years of continuous service with the same employer. Employers must establish an annual leave schedule after consulting employees, notify employees in advance of their leave plan, and allow employees to split annual leave into several periods or accumulate and take it within three consecutive years by mutual agreement.

# Internal Labour Rules (ILRs)

47

An employer is required to establish written Internal Labour Rules (ILRs) where it employs 10 or more employees. Where the employer employs fewer than ten employees, written ILRs is not mandatory; however, provisions relating to labour discipline and liability for material loss and damage must be incorporated into the labour contract. The ILRs must contain, among other things, provisions relating to working hours and rest breaks; order in the workplace; occupational safety and hygiene; cases in which an employee may be temporarily transferred to undertake work different from that specified in his or her labour contract; prevention of sexual harassment in the workplace; and the sequence and procedures for dealing with a breach being an act of sexual harassment in the workplace; protection of assets, business secrets and confidentiality of technology and of intellectual property of the employer; conduct by employees constituting a breach of labour discipline and forms of penalty imposed for those breaches; liability for material damage; person authorized to impose disciplinary sanctions.

48

The ILRs must be consulted with the trade union or employees' representative organisation (if any) prior to issuance. In addition, the ILRs must be registered with the competent authorities within 10 days from the date of issuance, and the principal contents of ILRs must be published at the workplace to ensure that employees are fully informed of their rights, obligations, and the applicable workplace rules. The ILRs shall take effect 15 days after the competent labour authority receives a complete registration dossier.

49

Properly prepared ILRs enable employers to maintain workplace discipline, manage employee performance, and, where necessary, take lawful disciplinary actions, including termination of employment, provided that the relevant rules and grounds are clearly stipulated in the ILRs. Accordingly, the ILRs should be carefully drafted and regularly updated to ensure compliance with the Labour Code, as non-compliant or improperly registered ILRs may significantly impair the employer's ability to enforce disciplinary measures or lawfully terminate employment.

50

Clear and properly implemented ILRs benefit both employers and employees by establishing transparent rules, expectations, and standards governing workplace conduct and operations.

# Forms of Labour Discipline

51

An employer may impose only four forms of labour discipline, all of which must be clearly specified in the ILRs: Reprimand; Deferral of salary increase for a maximum of six months; Demotion; and Dismissal.

52

Any disciplinary action imposed on an employee for a violation not stipulated in the ILRs, not agreed upon in the labour contract, or not provided for under labour law shall not be lawfully enforceable.

53

Dismissal, which results in the termination of the employment relationship, is the most severe form of labour discipline and may only be applied in the following cases:

- ✓ Serious violations of workplace conduct, such as: The employee commits theft, embezzlement, gambling, deliberate violence causing injury, or uses drugs at the workplace; The employee discloses business or technological secrets, infringes intellectual property rights of the employer, or commits acts causing serious damage or threatening to cause particularly serious damage to the employer's property or interests; The employee commits sexual harassment at the workplace as defined in the ILRs;
- ✓ Repeated violations: Where the employee commits the same or a similar offence while an earlier disciplinary sanction of deferred salary increase or demotion remains valid and unexpired; and
- ✓ Unjustified absenteeism: Where the employee is absent from work without a legitimate reason for an accumulated total of five days within a 30-day period or 20 days within a 365-day period, calculated from the first day of unauthorised absence.

54

With the exception of dismissal, which may be imposed only in circumstances expressly prescribed by law, the remaining disciplinary measures, namely reprimand, deferral of salary increase, and demotion, allow employers greater discretion to determine and specify the corresponding acts of misconduct in the ILRs.

55

The employer must strictly comply with all principles, statutory procedures, and limitation periods governing the handling of labour discipline under the Labour Code. Vietnamese law strictly prohibits employers from imposing monetary fines or deducting salaries in lieu of disciplinary measures. Any such actions shall be deemed unlawful. Furthermore, employers are prohibited from taking disciplinary action against employees in the following circumstances:

- ✓ The employee is on sick leave or convalescence leave;
- ✓ The employee is absent with the employer's consent;
- ✓ The employee is under temporary detention or custody;
- ✓ The employee is awaiting the results of an investigation or conclusion from a competent authority;
- ✓ The employee is pregnant, on maternity leave, or nursing a child under 12 months old; or
- ✓ The employee committed the violation while suffering from a mental illness or another condition that renders them incapable of perceiving or controlling their behavior.

# Labour Collectives

## Collective Bargaining

56

The Labour Code allows for labour collectives to represent employees before employers. Labour Collectives can be either employer-specific or trade-specific. Provisions for the procedures for collective bargaining are set forth in the Labour Code and the following matters are subject to such bargaining: Salaries, allowances, salary rises, bonuses, meal allowances and other regimes; labour rates and working hours, holidays, overtime and rest breaks between shifts; job security for employees; occupational safety and hygiene, and implementation of the internal labour rules; operational conditions and methods of organizations representing employees; and the relationship between the employer and organizations representing employees; regimes and methods for preventing or resolving labour disputes; gender equality, protection of maternity, annual leave, and prevention of violence and sexual harassment at the workplace; and other matters that are of interest to the parties.

## Collective Labour Agreements (“CLAs”)

57

Employees, through their representative organizations, may enter into collective labour agreements with the employers to regulate the employment relationship between the parties. Once a CLA takes effect, it is binding on the employer and all employees, including those hired after its effective date. Where the rights, obligations, or benefits under any existing labour contract or internal regulation are less favourable than those provided under the CLAs, the corresponding provisions of the CLAs shall prevail. The employers are required to amend internal labour regulations and relevant policies to ensure consistency with the CLAs. Until such amendments are made, the relevant provisions of the CLAs remain applicable.

58

CLAs may be concluded at different levels, including: Enterprise-level CLAs (concluded between a single employer and its employees); and Sectoral or industry-level CLAs (concluded between multiple employers and employees in the same trade or occupation).

59

The effective date for a CLA shall be as agreed upon by the parties and specified in the agreement. If no effective date is specified, the CLAs shall take effect from the date of signing. Once effective, the CLAs must be respected and fully implemented by all parties. A CLA shall have a term ranging from one to three years, as agreed by the parties and stated in the agreement. The parties may also agree on different effective periods for specific provisions of the CLAs, depending on their practical circumstance and operational needs.

60

For a CLA's term to be adopted, its contents must be approved by at least 50% of the employees voting on agreement and one copy of the executed CLAs must be submitted to the local competent authority.

# Democracy Regulation

61

The Democracy Regulation is a mandatory requirement for employers with 10 or more employees. The Democracy Regulation is designed to ensure transparency, facilitate workplace dialogue, and promote employee participation in decision-making. Employers are required to develop, issue, and publicly disclose the Democracy Regulation, specifying the content, procedures, and responsibilities for employee consultation, decision-making, and monitoring.

62

Key areas typically include disclosure of business performance, internal labour regulations, collective agreements, salary scales, labour norms, workplace conditions, safety, environmental protection, and other matters affecting employees' rights and interests. The Democracy Regulation also establishes the framework for organizing employee conferences and workplace dialogue mechanisms, whether on a regular and an ad hoc basis. Topics commonly discussed cover performance appraisals, contract terminations due to restructuring or poor performance, salary scales, bonus policies, internal rules, and temporary suspensions for disciplinary investigations.

63

By implementing a comprehensive Democracy Regulation, employers not only comply with statutory obligations but also foster an open, transparent, and harmonious working environment. This proactive approach may help strengthen employee engagement, promote stable labour relations, and mitigate legal and compliance risks during labour inspections or employment disputes.

# Social and Health Insurance and Unemployment Insurance

64

Employees subject to compulsory social contributions:

- ✓ Vietnamese employees: Individuals working under indefinite-term labour contracts or definite-term contracts of at least one month, including those whose agreements are titled differently but contain the essential elements of employment: namely, paid work under the management, supervision, and control of the employer; and
- ✓ Foreign employees working in Vietnam: Foreign nationals are subject to compulsory social insurance when working in Vietnam under definite-term labour contracts of at least 12 months, unless they fall under one of the following exceptions under the law.

65

Employers are responsible for making compulsory social insurance, health insurance, and unemployment insurance contributions to the State on behalf of their employees. These contributions ensure that the employees are entitled to statutory benefits covering sickness, maternity, occupational accidents, retirement, survivorship, and unemployment. In addition, employers are encouraged to provide voluntary health or accident insurance to enhance employee welfare.

66

The contribution rates applicable to Vietnamese employees and foreign employees are as follows:

## Vietnamese employees

	Health Insurance (%)	Unemployment Insurance (%)	Social Insurance			Total (%)
			Sickness and maternity fund (%)	Occupational accident and disease fund (%)	Retirement and survivorship fund (%)	
<b>Employer</b>	3	1	3	0.5	14	21.5
<b>Employee</b>	1.5	1	8	10.5		
<b>Total</b>						<b>32.0</b>

## Foreign employees

	Health Insurance (%)	Unemployment Insurance (%)	Social Insurance			Total (%)
			Sickness and maternity fund (%)	Occupational accident and disease fund (%)	Retirement and survivorship fund (%)	

<b>Employer</b>	3	-	3	0.5	14	20.5
<b>Employee</b>	1.5	-	8	9.5		
<b>Total</b>						<b>30.0</b>

67

For employers operating in industries or sectors with a high risk of occupational accidents and occupational diseases, if they satisfy the conditions prescribed by applicable laws, the contribution rate to the occupational accident and occupational disease insurance fund is 0.3% instead of 0.5%.

68

The above rates are calculated as a percentage of the employee's monthly salary used as the contribution base, subject to the statutory cap equivalent to 20 times the reference salary level (which is VND2,530,000 as of 1 July 2026 and may be adjusted annually). Employers are required to withhold the employee's contribution portion and remit both the employee's and the employer's portions to the relevant authorities on a monthly basis.

69

As of 2025, for employees working in normal conditions, the full retirement age is 61 years 3 months for male employees and 56 years 8 months for female employees. The retirement age will be gradually increased from 60 to 62 by 2028 for male employees and from 55 to 60 by 2035 for female employees.

# Employment of Foreign Employees

70

Vietnam permits the employment of foreign employees; however, such employment is generally restricted to managerial or expert positions that require specialized skills not yet readily available within the domestic workforce. Under current regulations, certain foreign employees are allowed to work in Vietnam without a work permit if they are confirmed by ministries or ministerial-level agencies to be engaged in key sectors, such as science, technology, innovation, national digital transformation, or other priority socio-economic development sectors.

71

In most cases, foreign employees are required to obtain work permits before commencing employment in Vietnam. The work permit is issued by the local Department of Home Affairs (the “**DOHA**”) where the foreign employee is working. Each work permit is issued for a maximum period of 24 months and may be renewed only once for the same period as maximum. A work permit is tied to the specific employer who applied for the employee’s work permit, and the foreign employees may legally work only for that employer.

72

Foreign employees who work without work permits shall be forced to exit or be expelled from Vietnam. Employers employing foreign employees without work permits are subject to an administrative fine.

73

Recent regulatory updates have been streamlined for the process of hiring foreign employees to make it faster and more efficient. Employers are no longer required to obtain separate approval for foreign labour demand, as this step has been integrated into the work permit application process, reducing processing time to approximately 10 working days. Furthermore, employers can submit simultaneous applications for both the work permit and the foreign employee’s criminal record certificate through Vietnam’s national public service portal. Upon completion, both documents are issued together, simplifying administrative procedures for business.

# Labour Dispute Resolution

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The Labour Code provides for two categories of labour disputes: an individual labour dispute between an employee and the employer; and a collective labour dispute between a labour collective and the employer. Mediation is the first step in all labour disputes. If this fails, the parties may turn to the court for a settlement.

75

The following individual labour disputes may be resolved by the People's Court without being required to be referred first to mediation at the enterprise:

- ✓ A dispute relating to the disciplinary measure of dismissal for breach of the law on labour, or a dispute arising from unilateral termination of a labour contract;
- ✓ A dispute relating to payment of compensation for loss and damage or payment of allowances upon termination of a labour contract;
- ✓ A dispute between a domestic servant and the employer;
- ✓ A dispute relating to social insurance;
- ✓ A dispute relating to payment of compensation for loss and damage pursuant to a contract between an employee and a labour export enterprise or professional labour export organization; and
- ✓ A dispute between a sub-leasing employer and the sub-leased employee.

76

The limitation period for requesting resolution of an individual labour dispute shall be from six months to one year, subject to the nature of the labour dispute.

77

Employees may strike under certain circumstances in order to persuade an employer to negotiate or to agree to certain terms in the resolution of a labour dispute. The procedures and allowances for strikes are strictly outlined by the Labour Code.

# Contact Us

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