



HOW TO

Hire&Fire

IN VIETNAM

A comprehensive guide for
Enterprises and Investors



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Introduction

One major concern for venture investors revolves around the host country's workforce. It is crucial that workers not only avoid disruptions during expansion but also contribute to the development of the production chain and drive profit growth. Maximizing investments is a top priority for all investors, making a skilled and cost-effective labor force a highly desirable criterion in a host country.

Southeast Asian countries, particularly Vietnam, have emerged as an attractive destination for foreign direct investment (FDI), offering abundant and affordable labor pools, especially as the number of educated and skilled workers continues to grow. The Vietnamese government has implemented favorable policies and adjustments to attract foreign investors and increase FDI inflows including empowering the labor workforce. However, when it comes to hiring the right talents and dealing with talent management, it is essential for investors to conduct thorough research and understand both the advantages and disadvantages before venturing into the country.

In response to the ongoing pandemic crisis and global geopolitical tensions, Viettonkin Consulting presents our guidebook "Hiring and Firing in Vietnam: A Comprehensive Guide for Enterprises and Investors." This invaluable resource, authored by our experienced HR expert, offers a comprehensive overview of Vietnam's HR landscape and provides practical advice to avoid common pitfalls. Following our HR Intelligence approach tailored for overseas investors and business owners, this guide will enable you to navigate HR compliance and make well-informed decisions regarding hiring and firing in Vietnam.

Labor market in Vietnam – An overview

Introduction to the labor market in Vietnam

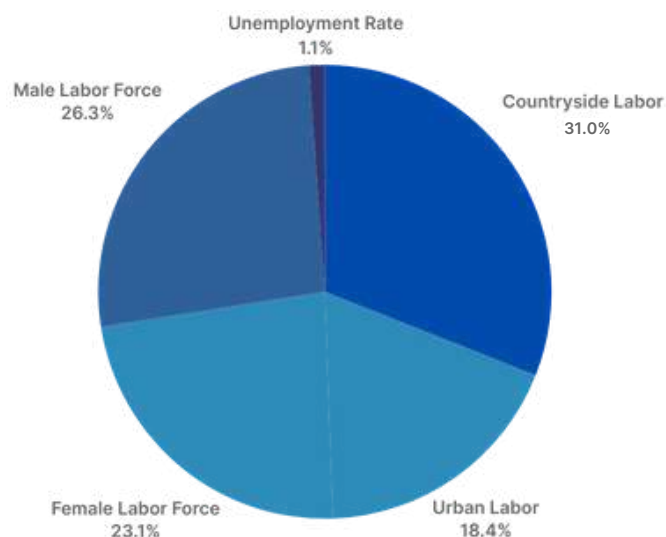
The labor market in Vietnam is characterized by a high level of participation, low unemployment, and high informality.

In 2023, the country's labor force aged 15 and over consisted of 52.4 million individuals, among which 53.3% were men and 46.7% were women. The labor force participation rate was 68.9%, rising by 0.3 percentage points compared to 2022. The unemployment rate in 2023 was 2.3%, down 0.06 percentage points compared to the previous year.

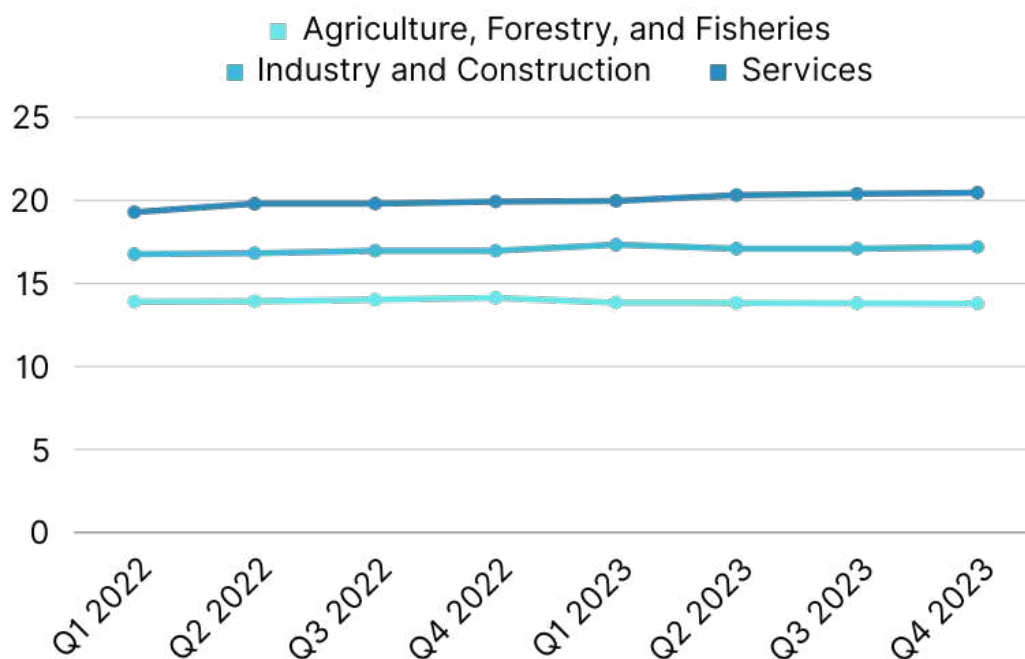
51.3 million individuals were employed in 2023, reflecting a growth of 683.0 thousand individuals compared to 2022. The underemployment rate dropped to 2.01%, marking a decrease of 0.20 percentage points from the previous year.

The labor force in Vietnam is distributed unevenly across regions, sectors, and occupations. In 2023, the majority of the labor force (62.7%) lived in rural areas, while only 37.3% lived in urban areas. The main industries that employ the labor force are services (39.6%), industry and construction (33.5%), and agriculture, forestry and fishery (26.9%). The prevailing job roles consist of general informal workers (including laborers working in households in agriculture, forestry and fishery), comprising 33.3 million workers, which constitutes 64.9% of the overall employed individuals.

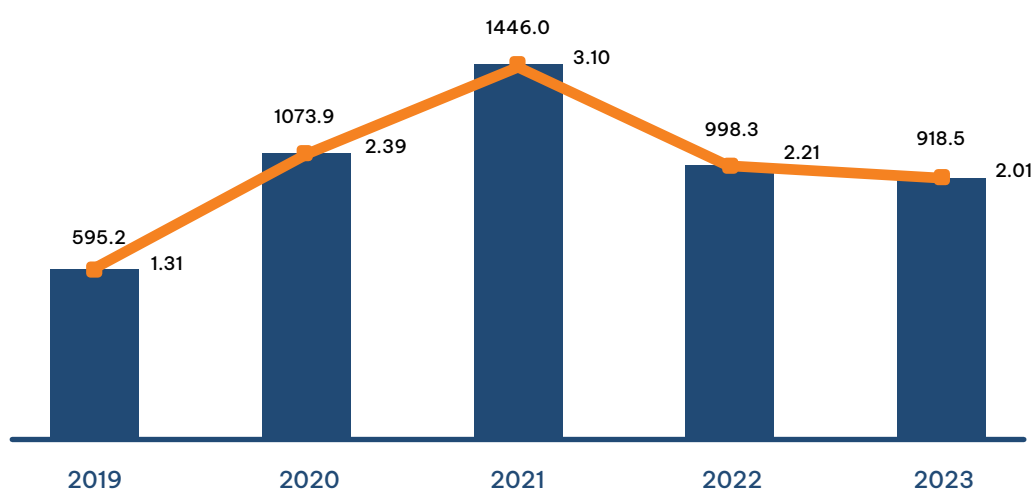
General Information about Vietnamese labor market (2023)



Number of employed people by economic sector by quarter (2022-2023)
(Unit: million people)



Number of people and under-employment rate in the working age, period
2019-2023 (Unit: thousand people & percent)



Demographic factors shaping the labor market in 2022

	Northern Region	Central Region	Southern Region
Labor Force (in million)	17.80	14.25	18.97
Unemployment rate (%)	1.99	2.11	2.82
Pros	<ul style="list-style-type: none"> - Large and diverse labor pool - High labor productivity - Skilled and meticulous workers - Strong manufacturing sector - Access to China market 	<ul style="list-style-type: none"> - Stable and loyal workforce - Low labor costs - High potential for tourism and services - Rich in natural resources - Strategic location for trade and logistics 	<ul style="list-style-type: none"> - Young and dynamic workforce - High level of education - High innovation and entrepreneurship capacity - Diversified and competitive sectors - Developed infrastructure and urbanization
Cons	<ul style="list-style-type: none"> - High labor costs - High turnover rate - Low level of education - Low innovation capacity - Environmental pollution 	<ul style="list-style-type: none"> - Small and aging labor force - Low labor productivity - Low level of education - High informality and vulnerability - Lack of infrastructure and connectivity 	<ul style="list-style-type: none"> - High labor costs - High turnover rate - High informality and vulnerability - Skill mismatch and shortage - Traffic congestion and social issues



Average monthly income of salaried workers

One of the factors that investors and employers need to consider when doing business in Vietnam is the average monthly income of salaried workers in the country. According to the GSO, the average monthly earnings of labor was about 7.1 million Vietnamese dong (VND) in 2023, equivalent to about 300 US dollars (USD). This indicates an increase of 6.9% compared to the same period last year.

However, the average monthly income of salaried workers in Vietnam varies depending on several factors, such as region, sector, occupation, education level, gender, and experience.

- **Region:** The average monthly salary in Vietnam differs by region, reflecting the differences in economic development, living standards, and labor demand and supply.

Region	Monthly minimum wage	Minimum hourly wage rates
I	~4,680,000 VND (199 USD)	~22,500 VND (0.96 USD)
II	~4,160,000 VND (177 USD)	~20,000 VND (0.85 USD)
III	~3,640,000 VND (155 USD)	~17,500 VND (0.75 USD)
IV	~3,250,000 VND (138 USD)	~15,600 VND (0.66 USD)

- **Sector:** The average monthly salary in Vietnam also varies by sector, reflecting the differences in productivity, competitiveness, and profitability. EWorkers in the service industry saw the most significant boost in their monthly pay, with individuals now earning 8.7 million VND (equivalent to 370 USD), marking a 7.3% increase compared to the previous year. In contrast, average monthly incomes in agriculture, forestry, and fisheries, as well as in the industry and construction sectors, increased by 4.2% and 4.5%, respectively.

- **Occupation:** The average monthly salary in Vietnam also depends on the occupation, reflecting the differences in skill level, qualification, and demand. For instance, administrative staff typically earn between 5 million to 6.5 million VND (about 213 to 278 USD), whereas CEO remuneration ranges from 100 million to 300 million VND (about 4,257 to 12,772 USD).
- **Gender:** The average monthly salary in Vietnam also differs by gender, reflecting the differences in labor market participation, discrimination, and social norms. The average monthly salary for male workers is higher than that for female workers, at 8.1 million VND (about 345 USD) versus 6 million VND (about 255 USD).
- **Education level:** The average monthly salary in Vietnam also correlates with the education level, reflecting the differences in human capital and knowledge. In 2023 workers who possess a post-secondary certificate or diploma can anticipate earning roughly 17% more compared to those with only a high school diploma. A bachelor's degree can yield about 25% more than a certificate or diploma level, while a master's degree could result in approximately 30% higher compensation than a bachelor's degree. Those with a PhD can foresee a salary increase of roughly 22% in comparison to individuals with a master's degree in a similar job position.
- **Experience:** The average monthly salary in Vietnam also increases with experience, reflecting the differences in seniority, performance, and loyalty. Employees with a professional background ranging from two to five years typically command a salary that's, on average, 32% higher than what entry-level and junior workers receive, across various industries. As individuals accumulate more than five years of work experience, their earnings tend to surge by an average of 36% compared to those with less than five years of professional background. Upon reaching the ten-year work milestone, salaries experience a notable upswing of 21%, with an additional 14% increase in compensation for individuals boasting over 15 years of work experience.

In addition to the regular monthly salary, salaried workers in Vietnam also receive a 13th-month salary as an annual bonus and a Tet bonus before the Lunar New Year. The amount of these bonuses can range from one to three months' salary depending on the employer's policy and performance.



Dynamic industries with rising high-demand workforce

Vietnam is a rapidly developing country with a young and growing population. This has led to a surge in demand for workers in a number of industries. Some of the most dynamic industries with high-demand workforces in Vietnam include:

- **Manufacturing and processing sector:** In 2023, the industry's added value climbed by 3.62% over the previous year, continuing to play a vital part in Vietnam's economy. They made a substantial impact with remarkable growth, registering a 9.6% increase compared to the previous year. Notably, enterprises operating within these domains have displayed a growing recruitment demand in the latter half of 2023, signaling a positive outlook for Vietnam's economic landscape.
- **High-tech industry:** Vietnam is currently witnessing a significant surge in the need for skilled high-tech professionals, driven by the expanding digitalization trends. More than 80% of enterprises have redirected their attention towards digital transformation in the post-Covid-19 era. Notable domains within this sector encompass cloud computing, artificial intelligence (AI), robotics, and automation.
- **Green technology and renewable energy industry (wind, solar, hydro):** Wind and solar energy have the potential to make a substantial impact on Vietnam's GDP, with an estimated range of 70-80 billion USD, while simultaneously generating between 90,000-105,000 direct employment opportunities.
- **Logistics industry:** In 2023, the industry's added value climbed by 3.62% over the previous year, continuing to play a vital part in Vietnam's economy.
- **Healthcare:** Vietnam's healthcare sector is also growing rapidly, and the demand for healthcare workers is projected to continue growing in the coming years. This industry is expected to create demand for doctors, nurses, pharmacists, and other healthcare professionals.



These are just a few of the industries with high demand for workers in Vietnam. If you are seeking to hire workers in Vietnam, it is crucial to take these industries into account. By doing so, you can enhance your chances of finding the right workers for your business.





Opportunities and challenges for enterprises/investors in Vietnam

The labor market has created a number of opportunities for enterprises and investors in the country. However, there are also a number of challenges that need to be addressed.

- **Opportunities:**

Some of the key opportunities for enterprises and investors in Vietnam include:

- * **A large and growing workforce:**

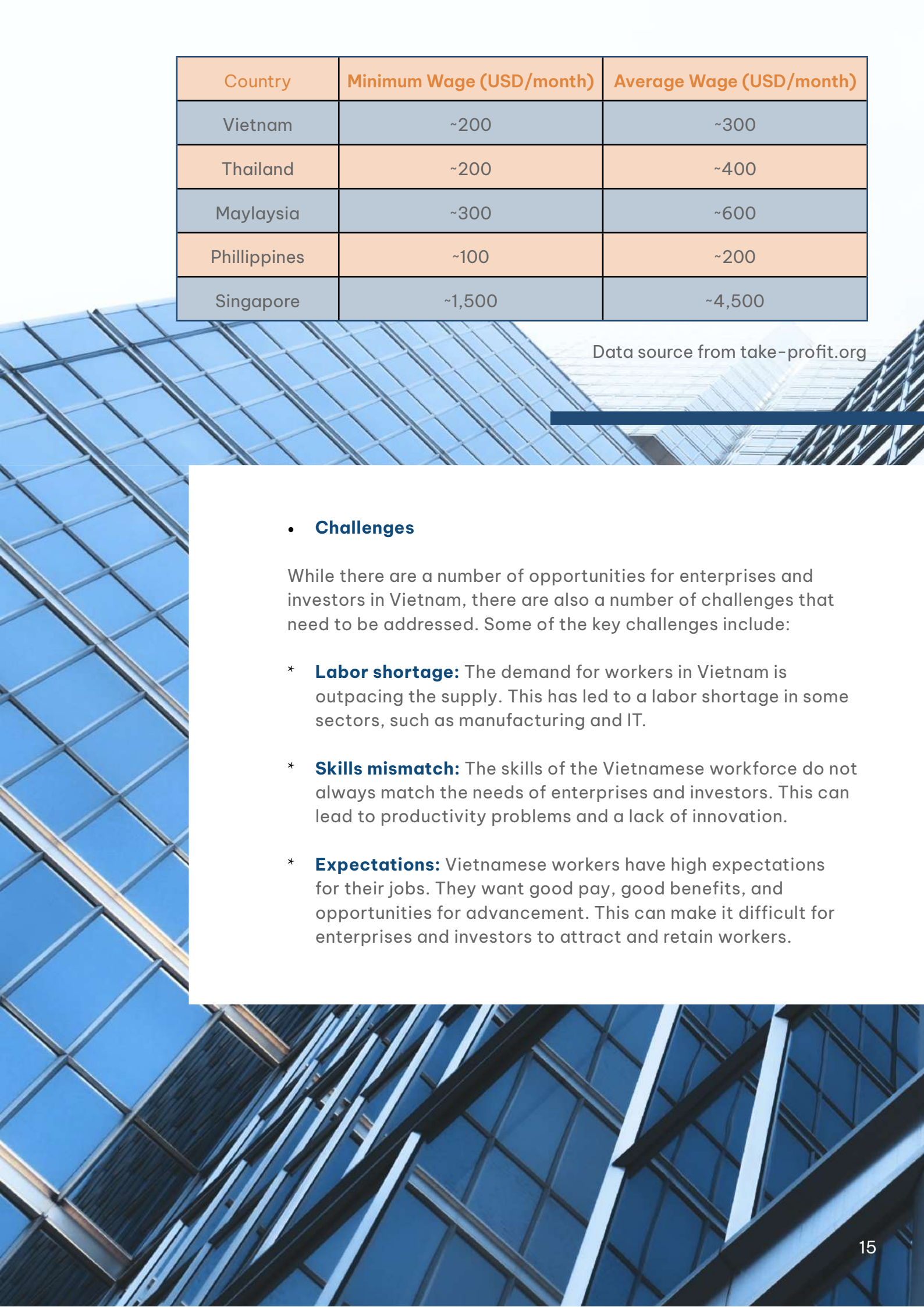
Vietnam is one of the most populous countries in Asia, with a population of over 100.3 million people in 2023. The country has a relatively young population, with a median age of 32.8, and a labor force of about 52.2% of the population in 2023. This provides a large pool of potential workers for enterprises and investors.

- * **A young and educated workforce:**

In 2020, the average age of the Vietnamese workforce (32.5 years

old) is younger than other countries in the region, such as China (37 years old) and Thailand (35 years old). In 2022 the literacy rate is over 96.1%. This means that the workforce is relatively young and educated, which is attractive to many enterprises and investors.

- * **A low-cost workforce:** The cost of labor in Vietnam is still relatively low compared to other countries in the region.



Country	Minimum Wage (USD/month)	Average Wage (USD/month)
Vietnam	~200	~300
Thailand	~200	~400
Maylaysia	~300	~600
Phillippines	~100	~200
Singapore	~1,500	~4,500

Data source from take-profit.org

- **Challenges**

While there are a number of opportunities for enterprises and investors in Vietnam, there are also a number of challenges that need to be addressed. Some of the key challenges include:

- * **Labor shortage:** The demand for workers in Vietnam is outpacing the supply. This has led to a labor shortage in some sectors, such as manufacturing and IT.
- * **Skills mismatch:** The skills of the Vietnamese workforce do not always match the needs of enterprises and investors. This can lead to productivity problems and a lack of innovation.
- * **Expectations:** Vietnamese workers have high expectations for their jobs. They want good pay, good benefits, and opportunities for advancement. This can make it difficult for enterprises and investors to attract and retain workers.

- **Overcoming the challenges**

There are a number of ways to overcome the challenges facing enterprises and investors in Vietnam. Some of the key strategies include:

- * **Investing in growth talent:** Enterprises and investors need to invest in training and development programs to help workers develop the skills they need.
- * **Forming a human resource strategy:** Enterprises and investors need to develop a clear human resource strategy that takes into account the challenges of the Vietnamese labor market.
- * **Working with local consultants:** Local consultants can help enterprises and investors understand the Vietnamese labor market and develop strategies to overcome the challenges.

By addressing the challenges facing the Vietnamese labor market, enterprises and investors can take advantage of the many opportunities that the country has to offer.



02

Hiring process & talent management in Vietnam



3 key things you need to know before hiring in Vietnam

- **Identifying and discovering suitable core capabilities**

Before venturing into the Vietnamese job market, companies must meticulously identify the essential capabilities that align with their business strategy in the country. This involves a thorough assessment of skill sets and talents required for the workforce.

In addition, understanding the unique culture of Vietnam is paramount; from language nuances to customs and traditions, and the fundamental values shaping work relationships. While Vietnamese employees exhibit a commendable work ethic, it is crucial to recognize the significance of work-life balance deeply ingrained in their family-oriented culture.

For foreign hires, securing a visa and work permit demands meticulous attention, and Viettonkin Consulting stands ready to assist in navigating the intricacies of documentation for international talent.

- **Creating an appropriate recruitment strategy that complies with local labor regulations**

Crafting a strategic recruitment plan tailored to local labor regulations is imperative. This involves employing suitable methods such as executive search, internal hiring, or leveraging recruitment platforms like Vietnamworks, LinkedIn, JobStreet, and CareerBuilder. For specialized positions, reputable headhunting firms become instrumental. As a workforce solution provider, Viettonkin Consulting has organized large-scale recruitment drives for multinational companies entering the Vietnamese market for positions from entry level to senior management.

It is important to note that labor laws in Vietnam, compared to other nations, are often well regarded as pro-labor (acting in favor of the employee), which could be drastically different from the equivalent laws in your country. Thus, before making any hires, you should familiarize yourself with the Labor Code, the Trade Union Law, the Employment Law, regulations surrounding Social, Health, and Unemployment Insurance, among others, most preferably with the guidance of capable local consultants who are not only strong in legal procedures but also in practical experience handling HR-related issues.



- **Setting up the prevalent recruitment process**

Establishing a robust system is essential for seamless hiring processes. A comprehensive Hiring Kit, featuring Standard Operating Procedures (SOPs) for recruiting and onboarding processes along with essential documents like labor contracts, human resources records, and internal regulations, ensures a smooth hiring journey.

When recruiting in Vietnam, you need to be familiar with the recruiting process. This includes comprehending the hiring

and firing procedures as well as the most popular channels including recruitment websites and headhunting firms, the paperwork required, and the hiring timeline. It is in prevalent practice that for senior to managerial positions, a normal hiring timeline is within 2-6 months, since the pool of strong candidates fit for international working environments is limited. Normally, the probationary period does not exceed 60 days for regular labor positions.

Adding a new member to your team in Vietnam can be challenging, but with the proper preparation and investigation, you can be successful. Ensuring that you comprehend the labor laws, create a job description, locate the appropriate recruiting platform, and utilize resources to discover the ideal candidate. With the proper preparation, it is possible to identify the ideal candidate for your team.



Recruitment strategies and best practices

In this section, we introduce the best practices for recruitment adopted by the best international businesses with a presence in Vietnam, and even from our own case study of conducting international business in the market.

- **Local experts and contractors**

Many foreign companies working in the Vietnamese market make use of local expertise through work contracting or short-term, project-based hiring. This allows a substantial degree of flexibility, both in terms of finance and administration, for the company when they are in the phase of market discovery or product development. Firms who want to identify, screen, and recruit talents in this manner often rely on the services of a third party, such as Viettonkin Consulting, to provide a comprehensive package of staff augmentation services (PEO, EOR and payroll administration – more on this in the later sections of the e-book).

- **Employer branding**

Most MNCs operating in Vietnam invest heavily in employer branding, through leveraging their social media presence, liaising with universities to conduct talent fairs and internship programs, or investing in paid advertising campaigns to gain exposure. The reason is simple: MNCs are competing together for a limited pool of highly qualified, internationally-ready young professionals who can meet their global personnel standard. Thus, they must take great care in building up a strong employer presence and appealing to the right type of talents in Vietnam.

- **Seasonal factors of recruitment**

As with other markets, Vietnam has specific milestones throughout the course of a year which recruiters and decision makers should pay attention to when designing their hiring campaigns. University graduates leave their school around May, senior students look for internships during September or March, and most of the workforce do not leave their job at the end of the Lunar Year in order to collect their year-end bonus. These are a few examples of timeline that could severely impact the success of recruitment drives if they are unplanned for.

- **Performance-based hiring**

Performance-based hiring, which extends beyond skill-based methods, represents a paradigm shift in the recruitment process. While skill-based hiring focuses on evaluating candidates based on their mastery of specific skills, typically assessed through proven track records, live demonstrations, or placement tests, performance-based hiring centers on assessing candidates' achievements and career progress. Leveraging this approach as the foundation for talent acquisition strategies, Viettonkin Consulting has harnessed this philosophy to achieve remarkable outcomes for both our clients and our own organizations.

In today's talent-scarce recruitment landscape, skill-centric practices often overshadow the importance of hiring managers' capacity to attract and retain top talent. A robust talent strategy is crucial, where the Employee Value Proposition (EVP) frames the job as a career progression rather than just a transaction. Job roles must be meticulously designed to emphasize performance objectives and challenges, ensuring elite candidates are suited for the role. Surveys indicate that most hiring efforts target only a small percentage of the talent pool, highlighting the need to focus more on outreach for passive candidates and referrals.

Performance-based hiring necessitates a well-structured onboarding plan spanning critical stages, from setting expectations on day one to assessing performance during the initial year. Effective hiring involves recognizing common pitfalls, with traditional methods often prioritizing the initial phases of "having" and "getting". A performance-based approach shifts the focus to "doing" and "becoming", broadening the candidate pool and fostering meaningful discussions about career advancement aligned with success. This approach starts by describing what a person needs to do to succeed, emphasizing performance over specific skills. By focusing on performance, recruiters can engage diverse candidates and high performers, discussing pay and benefits only after aligning on the candidate's career progression.





Resume Lorem Ipsum

EXPERIENCE

- SENIOR CREATIVE BEE** (2011 - present)
Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.
- ASSISTANT GRAVITY DESIGNS** (2005 - 2011)
Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

EDUCATION

- BACHELOR GREEN ELEPHANT ARTS** (1999 - 2000)
Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.
- COOL DESIGN TRAINING BLUE BEE ART** (1998)
Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

AWARDS

- Best Designer of 2010
Winner of Euro Design 2008
Best Creative Designer 2006
Winner - National Design Competition 2004
Winner Adobe Design Competition 2005

ABOUT ME

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SKILLS

WORK

- PRODUCTION
- ILLUSTRATION
- DESIGNING
- ORGANIZATION
- RESEARCH

PERSONAL

- COMMUNICATION
- ORGANIZATION
- TEAM PLAYER
- CREATIVITY
- SOCIAL

Trends of recruitment and job-seeking in Vietnam in 2023

Vietnam is leading the charge in multiple recruitment trends that are shaping up the job market during the year of 2023 and beyond.



- **Utilizing data-driven hiring tools**

Data-driven tools, such as pre-employment assessments, personality tests, CV screening, and video interviews, are gaining traction among international businesses in Vietnam. These tools evaluate candidates comprehensively, reducing recruitment time and costs, enhancing employee quality, and promoting workforce diversity.



- **Using social media for recruiting**

With soaring social media usage in Vietnam, platforms like Facebook and LinkedIn have become recruitment hubs. Companies utilize these platforms for employer branding, with Grab Vietnam setting notable examples. Recruitment campaigns are also conducted directly on platforms like Facebook Groups and LinkedIn, offering higher response rates, targeting niche audiences, and employing paid advertisements for greater visibility.



- **Staff augmentation services**

Staff augmentation, adding talents through third-party providers, is an attractive alternative for international enterprises. It offers cost-effectiveness, flexibility, scalability, access to expertise, time savings, a vast talent pool, risk reduction, and improved communication. This approach adapts to changing workforce needs without the complexities of traditional hiring and onboarding.



In Vietnam, specialized companies such as Viettonkin Consulting offer various staffing solutions, including

- * **PEO (Professional Employment Organization):** PEO acts as a comprehensive HR solution for clients. They legally employ and manage the workforce, handling payroll, compensation and benefits, SHUI management, HR compliance, and recruitment and training. Despite legal employment with the PEO, clients retain full control over their employees and business decisions.
- * **EOR (Employer of Record):** EOR provides a way to hire, manage, and pay employees in foreign countries where the client doesn't have a legal entity. EORs ensure compliance with local employment laws, managing payroll, benefits, taxes, and local regulations. This allows clients to focus on their core operations.
- * **Payroll Administration (Payroll Outsourcing):** Payroll administration services assist businesses in managing payroll processes. This includes calculating and processing employee wages, withholding taxes, issuing paychecks, managing benefits, and ensuring payroll compliance with relevant laws and regulations.

Designing the right talent acquisition & development programs

Leading FDI firms and MNCs in Vietnam excel in crafting prestigious talent programs, notably flagship Management Trainee Programs. These multi-year initiatives set clear development milestones and robust career paths, attracting top-tier applicants from Vietnamese universities.

Take Lee&Man, a significant FDI player, for instance. They've harnessed local talent effectively through dynamic strategies. Lee&Man's success stems from their dedicated commitment to fostering a homegrown workforce. By closely collaborating with local labor, they showcase the profound impact of strategic talent programs. These efforts highlight how such initiatives not only shape individual careers but also drive Vietnam's socio economic growth.

In addition to Lee&Man, other industry leaders like Unilever and Nestle have also implemented highly successful Management Trainee Programs in Vietnam. These initiatives not only shape the careers of individual participants but also contribute significantly to the country's socioeconomic growth by building a skilled and empowered workforce ready to tackle emerging challenges and opportunities. Such programs underline the commitment of FDI firms to both their own success and the development of the Vietnamese workforce.



Another example is Viettonkin Consulting ourselves, as shown through our commitment to introducing three signature talent development programs to the market. These cater to talents from junior to mid-senior to senior level talents:

- **Internship Programs:** These programs aim to recruit and train talents for new projects, enhance Viettonkin's employer branding, and prepare interns as Reserve Human Resources.
- **Management Trainee Program:** This two-year program offers certified training, engaging job rotations, and a clear trajectory towards senior management positions.
- **Succession Planning Programs:** Designed to develop current managers and high-contributing individuals into future leaders and C-level executives, these programs establish comprehensive, long-term Learning & Development initiatives.





Overcome challenges faced by international businesses when hiring remote workers in Vietnam

- **Cultural insights & Language Barriers**

Cultural and linguistic differences can pose significant challenges for international businesses that are hiring remote workers in Vietnam. These challenges can include:

- * **Communication barriers:** Vietnamese is a tonal language, which can make it difficult for non-native speakers to understand. Additionally, there are significant cultural differences in communication styles between Vietnam and Western countries. For example, Vietnamese people may tend to be more indirect compared to their international colleagues.
- * **Different work values:** Vietnamese culture places a high value on relationships and teamwork, and often prefers prudent and polite methods of communication to resolve conflicts instead of directly challenging others and risk damaging positive personal rapport. This can clash with the more individualistic and direct work values of some Western cultures.

- * **Time zone differences:** Vietnam is seven hours ahead of Greenwich Mean Time (GMT), which can make it difficult to coordinate with team members in other time zones, especially with colleagues based in the US or Canada.

There are a number of steps that international businesses can take to overcome these challenges. These include:

- * **Providing clear and concise communication:** When communicating with Vietnamese remote workers, it is important to be clear and concise. Avoid using jargon or technical terms that the worker may not understand. Also be flexible in choosing which channel to deliver the message, sometimes communicating in writing is better to avoid any gaps in comprehension and allow your Vietnamese some time to formulate an articulate response.
- * **Respecting cultural differences:** Be aware of the cultural differences between Vietnam and your home country, and always communicate with empathy and understanding.
- * **Using technology to bridge the gap:** There are a number of technological tools and management softwares that can help to bridge the communication gap between international teams, including Zoom, Gather, Microsoft Teams, Slack, Notion, and many more. These tools include video conferencing, instant messaging, and project management software.



- **Salaries and Benefits**

There are multiple layers of reasons why compensation and benefits could become a tricky matter for international companies when hiring remote workers in Vietnam:

- * **Differences in levels of pay:** Foreign investors without a presence in the market will not have the best insights into the median levels of income, salary expectations, and other financial aspects related to compensation that are particular to the Vietnamese market. This might lead to mismatched expectations and failure to negotiate in the right manner with Vietnamese candidates.
- * **Types of benefits:** The compulsory and non-compulsory benefit systems of Vietnam are intrinsically complex, with many types of bonuses in multiple occasions, 13th-month salary, Lunar New Year bonus, mandatory SHUI taking up a portion of the gross salary, among others.
- * **Salary review and progression:** Employees always expect a certain speed or progress in which their compensation will be reviewed and increased over the course of time, in proportion to their contribution to the company. The way this process is handled, as well as the prevalent practice when it comes to the pace of increase, requires experience with the market.

Therefore, should a foreign company require the service of remote workers based in Vietnam, it is best to consult the perspectives and retain the suitable services from experienced consultants in the Vietnamese market, who can provide both advice and executional resources to support you in handling these intricate matters and ensure success in hiring remotely.



Case study: Samsung's talent management strategy in Vietnam

- **About Samsung – a leader in foreign investment and employment in Vietnam**

Samsung, a global leader in technology, has firmly established its presence in Vietnam since 2008.

In 2022, HR Asia bestowed Samsung with the distinction of being one of Asia's best workplaces. Furthermore, Samsung achieved the top spot for the third time in the "World's Best Employers 2022" list by Forbes and secured a place in Interbrand's "Top 5 Global Brands of 2022".

With over 130,000 skilled Vietnamese workers across six robust manufacturing sites and a cutting-edge research center, Samsung profoundly influences the Vietnamese economy.

- **Samsung's strategic talent attraction policies**

- * **Salary:** Samsung's transparent salary and bonus system is linked to employment duration. Long-term employees enjoy elevated fixed salaries, while basic salaries rise progressively with tenure. Direct production staff at Samsung's Vietnam branch earn an average monthly salary of \$300. Overtime is compensated at 150% on weekdays and 200% on weekends.
- * **Bonus:** Samsung promotes innovation, rewarding adopted ideas with bonuses. Departmental achievements yield bonuses, including a 100% salary bonus during Lunar New Year.
- * **Allowances and Subsidies:** Samsung provides robust support. Employees in Vietnam receive a \$20 monthly living allowance. Those outside company dormitories receive housing allowances. Currently, 9 dormitories accommodate 7,800 employees, with more under construction.
- * **Insurance and Welfare:** Samsung adheres to insurance policies from an employee's first month, covering Social Insurance, Health Insurance, and Unemployment Insurance. The company prioritizes welfare, enhancing transport services, cafeteria management, and offering free mid-day meals. Regular health check-ups, wellness consultations, and "Family Day" events promote holistic well-being.

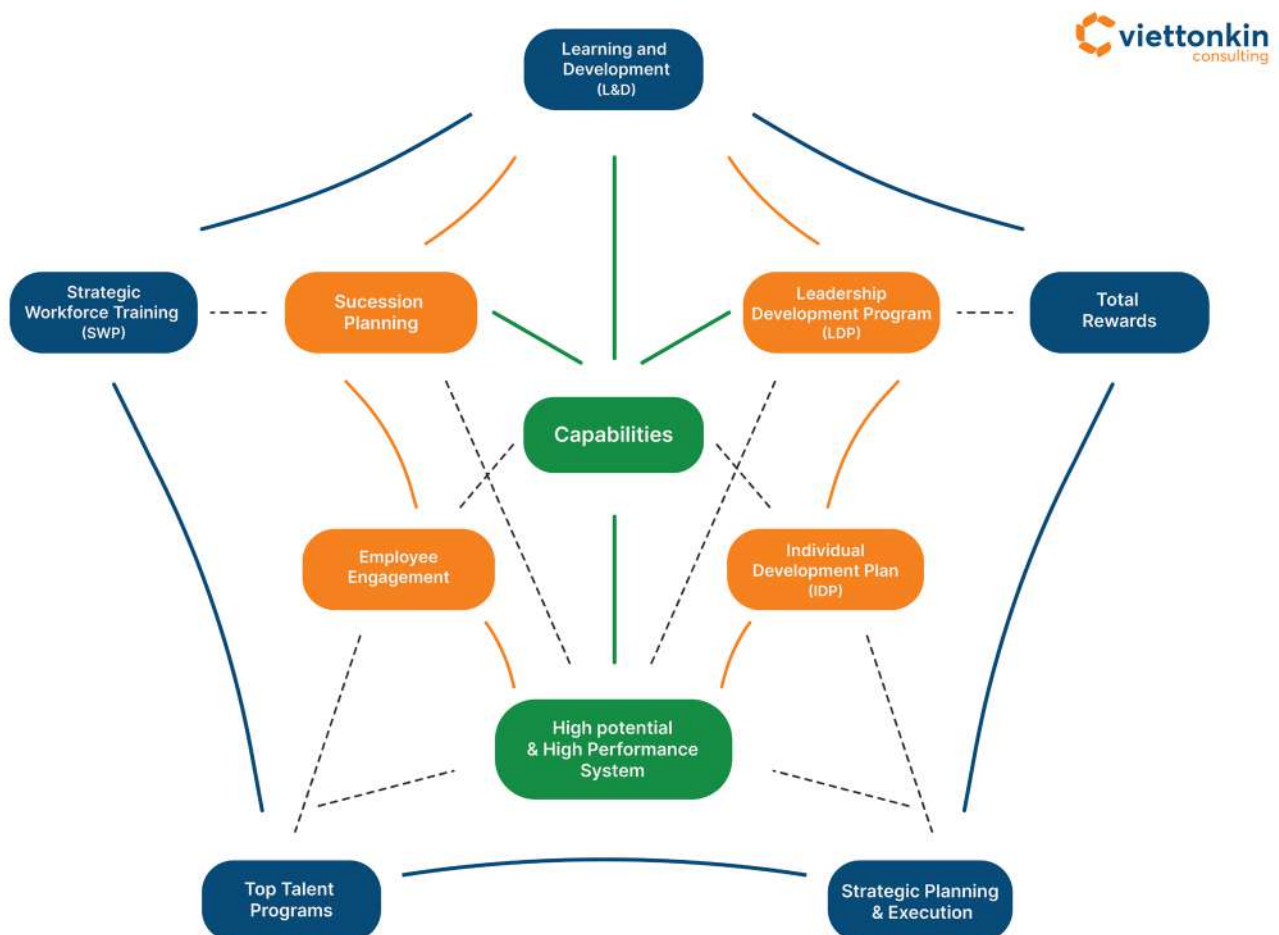


- **Talent Management Strategy**

Samsung recognizes that knowledge is pivotal in creating quality products and services. Therefore, the company prioritizes internal training to foster comprehensive development in knowledge, experience, and skills, enabling career progression. These initiatives extend beyond role-specific skills to encompass leadership, data analysis, market research, and advanced training for management.

Samsung's commitment extends beyond tangible benefits; it cares for employees' mental and physical well-being. The company hosts internal events aligned with national holidays, fostering a strong corporate culture.

Emphasizing diversity, integration, and equality, Samsung's Human Resources Director, Ms. Tran Ngoc Tran, envisions a workplace in 2023 that promotes diversity, inclusion, and equality while enhancing employee experiences through flexible and efficient working environments.



Talent Management models by Viettonkin JSC.

Viettonkin Consulting's Talent Management Model (TMM) is used to map and organize the various processes and management philosophies that help us develop our talents. In managing talent, the TMM is essential in our efforts to embody a model learning and consulting organization. It also provides an advisory framework for any companies that seek to improve talent management.

The TMM consists of the core, middle and outer circles, with each circle being made of several linked strategies. The links denote how each process affects another. Elements contained in each ring are cross-linked to others, meaning that the implementation of strategies in one ring impacts those of another.

The core serves as the foundation of the framework and concerns how Viettonkin selects, develops, and monitors the development of personal capacity. Processes in the core are the main methods of evaluating performance. The middle circle entails collaboration between HR departments and leaders in different teams and company realms and emphasizes leveraging internal strengths, harnessing team dynamics within and across departments for a more productive company. The outer circle represents the company's context concerning the external environment of Viet tonkin Consulting, and constructs strategic workforce planning and prioritizes top talent programs to drive advancements in HR.



- **Core Circle**

The core consists of Capabilities and High Potential, High Performance System (HiPo/HiPer). The 'Capabilities' process entails how Viettonkin evaluates each employee, which then affects the company's overall performance, and hence individual's success. Talents are identified and developed via the 'HiPo/HiPer'. Employees are assessed in their performance, skills, behaviors, and competencies in their initial role. Based on their employee assessment, an employee is placed in a category within a 9-box talent grid with two axes, performance (vertical) and potential (horizontal). This grid helps identify individuals within the company who demonstrate exceptional performance in their current roles, and have potential to take on more challenging and higher-responsibility roles in the future. After talents have been identified, career development plans are created to prepare individual talents for long-term career growth and advancement within the organization.

- **Middle Ring**

The middle ring consists of the aforementioned ‘HiPo/HiPer’, Learning and Development (L&D), Individual Development Plans (IDP), Succession Planning, Leadership Development Programs (LDP), Employee Engagement. All of these require the cooperation between departments and HR managers.

Based on the data gathered in the core processes, the employee is provided with specialized L&D programs. L&D entails the training programs within a company that are responsible for empowering employees’ growth and developing their knowledge, skills, and capabilities to drive better business performance. Viettonkin Consulting conducts many types of training sessions, ranging from professional skills for work to soft skills applicable throughout life. Through such programs, Viettonkin Consulting’s endeavors to provide up-to-date training with the aim of becoming a top tier in learning organization.

An individual development plan (IDP) emphasizes the enhancement of specific skills and competencies for an employee’s current role. It ensures that employees, HR and other managers are on the same page on elements such as strengths and opportunities, competencies and proficiency levels required for the employee’s current work responsibilities.

A leadership development plan serves a similar purpose with more emphasis on cultivating leaders. Rather than the employee’s job position dependent goals, the leadership plan maps out how employees should gain and develop leadership competencies to prepare them for management and leadership roles. In the process, the aim is to preserve the legacy of the organization’s capacity from one leader to the next.

Succession planning is a strategic process within the company that involves identifying and developing employees to fill key roles or positions within the company as they become vacant. It is a proactive approach aimed at ensuring the continuity of leadership and critical positions within the organization. Leadership development and succession planning work in tandem, leaders should be developed to fulfill job responsibilities highlighted in succession planning.

Lastly, employee engagement ensures employees stay motivated to go the extra mile in developing their skills. This requires company led employee engagement initiatives to boost morale. Activities can include celebrations of days important in Vietnamese culture, bonding activities such as team outings and even engaging individual employee talents outside of work such as recognizing artistic pursuits.



- **Outer Ring**

The final outer ring consists of L&D, Strategic Workforce Planning (SWP), Total Rewards, Top Talent Programs and Strategy Planning and Execution.

Strategy planning and execution is the stage where the company sets its goals for talent and how they are implemented. The SWP is more specific as it identifies talent requirements associated with the company's future goals and establishes a strategy to ensure the organization has the right talent to reach these goals. These company goals are also based evaluations of emerging trends such digitization and how they will impact the company talent pool.

Top talent programs are how companies plan and implement plans to attract these most highly desired talents due to their hardworking and ambitious nature and strong potential to develop into senior leaders. Total rewards describes the company reward strategy, including investments the company has made in its talents. It goes beyond base pay by highlighting the range of benefits within the employment package, which underpins Viettonkin Consulting's philosophy as a learning organization.

An effective talent management model is crucial to retaining skilled workers in Vietnam's competitive job market. Viettonkin Consulting approaches talent management from the perspective of a learning organization. We ensure and advise that employees and employers improve together through mutual learning. To achieve employee retention, an employee must feel that the job provides meaningful career advancement through acquiring skills and experience. Viettonkin Consulting's talent management model achieves these through strategies that have been successful for both Viettonkin Consulting and our clients. Strategies include the employee competency framework, specialized training methods and employee engagement initiatives such as celebrating birthdays and other memorials.

The employee competency framework is used to outline the attributes, skills and knowledge needed for particular jobs. After the fundamentals, the employee can continue to further develop technical competencies such as specific skills and knowledge. Managers have a specialized set of leadership competencies. These include helping organizations make informed decisions about talent recruitment, retention and succession planning, helping organizations support employee learning and development, among others.

In the realm of educational philosophy, Viettonkin follows four core principles that stand as pillars shaping the foundation of a dynamic and effective learning environment. These principles, known as Personal Mastery, Mental Models, Common Vision, and Group Learning, are integral components of educational organizations striving to provide a holistic and enriching experience for learners. All fall within the education framework advocated by the philosophy of Peter Senge, a renowned researcher and author in the fields of management and organizational learning. Each of them contributes to the cultivation of a vibrant and collaborative atmosphere in the pursuit of knowledge and personal growth.





- **Personal Mastery**

Personal Mastery is a crucial principle in educational organizations, focusing on the development of personal capabilities and concentration to achieve individual goals. In an educational environment, this can be fostered through flexible training programs, personal counseling support, and encouragement for students to engage in self-directed learning.



- **Mental Models**

Mental Models are determining factors in how individuals think and act. In the educational setting, clarifying and sharing mental models is essential. Creating conditions for learners to understand their own mental models and encouraging innovative thinking highlights the diversity of thought within the learning environment.



- **Common Vision**

Common Vision helps build consensus and commitment within educational organizations. By developing a shared vision and common goals supported by the entire learning community, an organization can create an environment where everyone works towards a shared future image.



- **Group Learning**

Group Learning is an engaging and effective learning method where students learn from each other, constructing communal knowledge. Educational institutions should encourage interaction and collaboration among students through group activities such as projects and discussions, helping them develop teamwork skills and learn from their peers.

To develop such talent effectively, the employer must provide and facilitate specialized training methods to employees. Such training cannot be generic and should be tailored to develop talent according to company and employee needs and cannot be generic. Effective proven methods include micro training and on demand learning. In reality, based on past and current experiences, Viettonkin has developed a three-year plan that emphasizes the importance of Learning organization. Specifically, in the initial year, Viettonkin's focus is on establishing a robust foundation for Viettonkin's Talent Home in Vietnam – a center dedicated to building capabilities for the youth. Viettonkin aims to achieve this by developing comprehensive research methodologies, analytical frameworks, analysis models and tools to facilitate our research and analysis processes. Additionally, Viettonkin will create efficient processes and appropriate forms or templates to streamline our operations. Moving into the second year, our goal is to standardize the system on a technological platform, thereby transforming the Viettonkin's Talent Home into a dynamic learning organization with a knowledge management society. By the third year, Viettonkin's vision is to authentically embody the essence of its Talent Home, turning the dreams of young individuals into reality. Viettonkin aspires to nurture and fuel the fervent aspirations of Vietnamese entrepreneurs. This learning organization will serve as a breeding ground for future leaders, national managers, politicians, and intellectuals, all united by a shared aspiration for a resilient and prosperous Vietnam.

In addition, employees must stay motivated to go the extra mile in their learning. This requires company led employee engagement initiatives to boost morale. Activities can include celebrations of days important in Vietnamese culture, bonding activities such as team outings and even engaging individual employee talents outside of work such as recognizing artistic pursuits. Other than leisurely pursuits, the following strategies can also be used to engage employees

*** Provide appropriate remuneration regime for employees**

- a. Recognition
 - » Contribution of longtime employees
 - » Employee of the year
- b. Internal activities for entertaining and teamwork
 - » “Happy Lunch” gathering
 - » Meals and Snacks at the workplace
 - » Outdoor activities
 - » Social activities (Cultural programs, Voluntary activities)
 - » Periodic health check-ups & activities

*** Organize anniversaries in accordance with national calendar** (solar and lunar calendar) (Year-end party, Gathering for opening spring, International Women's day, International Children's day – special occasion for employee's children, Mid-autumn festival, Vietnamese Women's day, Christmas and New Year's occasions)

- * **Organize anniversaries in accordance with company's calendar** (Employees' birthday, Anniversaries for employee's start working date, Anniversary of founding company)
- * **Build specific strategies to attract, retain and develop talent** (Creating a cultural working environment - focusing on reading habits, cross-functional development - engaging within departments to enhance the working efficiency between employees and employers; within the company - engaging works with different departments together)
- * **Increase employee confidence in leadership's ability** (through internal Learning & Development activities)



03

Overview of Labor Regulations in Vietnam & HR Compliance

Types of employment contracts

It goes without saying that an employment contract plays a vital role in the conduct of businesses. It lays out the legal foundation, setting out the rights and obligations entailed in an employment relationship. Coming to Vietnam, firms should gain insights into the country's usage of employment contracts in order to optimize their systems of personnel management.

Based on the Vietnam Labor Code 2019 (Labor Code), there are two types of labor contracts, which are indefinite-term labor contract and fixed-term labor contract. The table below provides detailed comparison between the two contract types.



Criteria	Indefinite-term labor contract	Fixed-term labor contract	Legal basis
Definition	A labor contract in which the two parties neither fix the term nor the time of the contract termination date.	A labor contract in which the two parties fix the contract term and the time of the contract termination date for a duration of up to 36 months after the effective date of the contract.	Article 20 of the Vietnam Labor Code
Renewing the labor contract	Not applicable due to no expiration date of the contract	<p>Within 30 days after the termination date of the labor contract, the employers shall renew the labor contract with their employees.</p> <p>If after 30 days from the date of the labor contract termination, the employers have not re-signed the labor contract with the employees, the previous signed contract becomes an indefinite-term labor contract;</p> <p>In case two parties sign a new labor contract which is a fixed-term labor contract, they are only allowed to sign one more time. If the employees continue to work after the contract's expiration date,</p> <ul style="list-style-type: none"> + The employers shall renew the labor contract with the employees within 30 days. + If the new labor contract is not signed within 30 days after the termination date, it turns into an indefinite-term labor contract. 	Clause 2, Article 20 of the Vietnam Labor Code
Minimum notice period before unilateral termination of the contract (applies to employees only)	At least 45 days	<ul style="list-style-type: none"> - Labor contract with a term of less than 12 months: at least 03 working days. - Labor contract with term of less within 12 - 36 months: at least 30 days 	Article 35, 36 of the Vietnam Labor Code



Minimum wage requirements, working hours, and other benefits

The Vietnamese government has established a number of labor regulations that govern minimum wage requirements, working hours, and benefits for workers in Vietnam. These are all important factors that should be specified in the rules and procedures that govern the workplace, otherwise known as the company regulations. Company regulations should be set and designed by the employer to ensure that the workplace is safe and productive.

Regulations should protect the rights of workers to ensure that they are treated fairly. By including these factors in company regulations, employers also ensure that they are complying with the law by providing their employees with the benefits they are entitled to.

- **Minimum wage requirements**

The minimum wage in Vietnam is set by the government and varies by region. The following are the minimum wage requirements applied from July 01, 2022:

- * Ho Chi Minh City and Hanoi: 4.68 million dong (around \$192) per month
- * Da Nang: 4.16 million dong (around \$170) per month
- * Other regions: 3.25–3.64 million dong (around \$133–\$150) per month

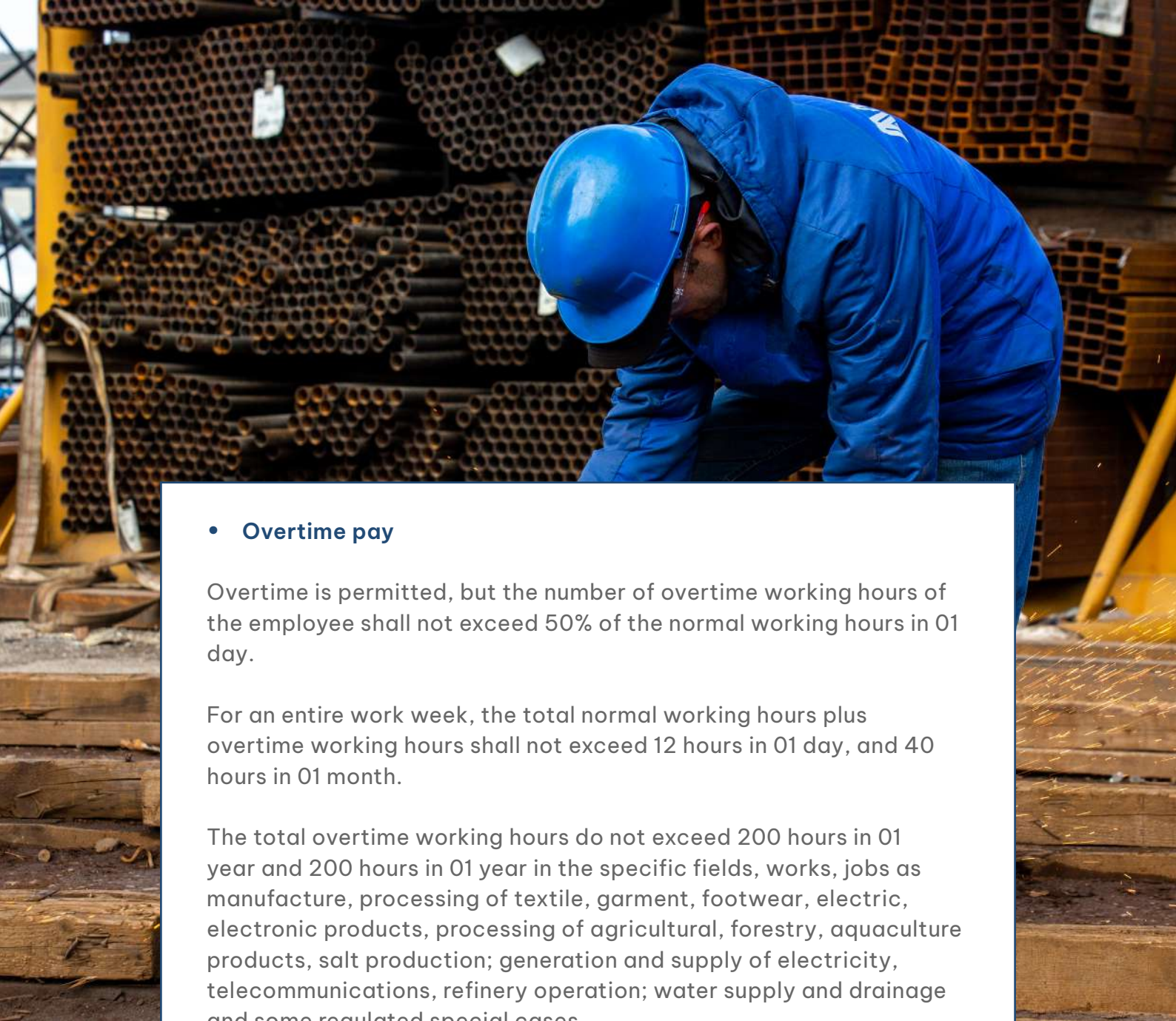
On December 20, 2023, the National Wage Council finalized the regional minimum wage increase in 2024 at 6%, effective from July 1, 2024.

- **Working hours**

The standard working hours in Vietnam are not exceeded 8 hours per day and 48 hours per week.

[Article 109 of the Labor Code](#) outlines provisions for rest breaks during working hours in the following manner:

- * An employee engaged in at least 6 hours of work per day, as stipulated in Article 105 of the Labor Code, is entitled to a rest break lasting a minimum of 30 consecutive minutes.
- * For night work, this rest break extends to a minimum of 45 consecutive minutes. If a shift spans at least 6 consecutive hours, the rest break is considered part of the total working hours.
- * Beyond the rest break detailed in Article 109 of the Labor Code, employers are required to identify additional short breaks and specify them in the internal labor regulations.



- **Overtime pay**

Overtime is permitted, but the number of overtime working hours of the employee shall not exceed 50% of the normal working hours in 01 day.

For an entire work week, the total normal working hours plus overtime working hours shall not exceed 12 hours in 01 day, and 40 hours in 01 month.

The total overtime working hours do not exceed 200 hours in 01 year and 200 hours in 01 year in the specific fields, works, jobs as manufacture, processing of textile, garment, footwear, electric, electronic products, processing of agricultural, forestry, aquaculture products, salt production; generation and supply of electricity, telecommunications, refinery operation; water supply and drainage and some regulated special cases.

Overtime pay equals (=) actual pay per hour or per product of a normal working day multiplied by (x) at least 150% or 200% or 300% multiplied by (x) number of additional hours or additional products. The rates of 150%, 200%, and 300% are specified in [Article 98 of the Labor Code](#). In particular, an employee who works overtime will be paid an amount based on the piece rate or actual salary as follows:

- * On normal days: at least 150%;
- * On weekly days off: at least 200%;
- * During public holidays, paid leave, at least 300%, not including the daily salary during the public holidays or paid leave for employees receiving daily salaries.



- **Benefits**

In addition to the minimum wage, employees in Vietnam are entitled to a number of benefits, including:

- * **Social, Health & Unemployment Insurance (SHUI)**

- » **Health insurance:** The rate of health insurance is 4.5% of the employee's monthly salary. The employer is responsible for paying 3% of the employee's salary, and the employee is responsible for paying 1.5% of their salary.
- » **Unemployment insurance:** The rate of unemployment insurance is 2% of the worker's monthly salary. The employer is responsible for paying 1% of the worker's salary, and the worker is responsible for paying 1% of their salary.
- » **Compulsory Social insurance:** The employer is responsible for paying 17.5% of the employee's salary, and the employee is responsible for paying 8% of their salary.

The total contribution rate of SHUI is 32% of the employee's monthly salary. The employer is responsible for paying 21.5% of the employee's salary, and the employee is responsible for paying 10.5% of their salary.

Please note that these rates are subject to change. The most recent rates were announced in July 2023.

- * **Sickness regime:** This regime refers to a benefit accessible to employees enrolled in social insurance, providing support in instances of unforeseen illness or accidents. This leave can be utilized for various illnesses, whether short-term or long-term, except for those arising from work-related accidents or self-inflicted injuries, intoxication, or substance abuse.
- * **Paid maternity leave:** Female employees are entitled to 6 months of maternity leave. This leave can be taken before or after the birth of the child. During maternity leave, female employees are entitled to maternity benefits according to the provisions of law on social insurance.
- * **Paid paternity leave:** Male employees are entitled to a maximum of 14 days of maternity leave depending on each situation. This leave can be taken to care for the newborn child.
- * **Note:** Social insurance compensates either fully or partially for an employee's income reduction or loss resulting from sickness, maternity, or paternity, based on their contributions to the social insurance fund.





Why HR Compliance: Case Study and Best Practices

- **Importance of HR compliance in Vietnam**

HR compliance is the process of ensuring that an organization's human resources (HR) practices comply with the law. This also ensures that employees are treated fairly and that their rights are protected.

HR compliance is important in Vietnam because the Vietnamese government has a number of labor laws that employers must comply with. These laws cover a wide range of topics, including minimum wage, working hours, benefits, and discrimination. To expedite and effectively implement HR compliance, companies should follow these HR compliance best practices.



- **HR Compliance Best Practices**

There are a number of best practices that can be used to ensure HR compliance in Vietnam, which include, conducting research, creating comprehensive localized company regulations, providing HR training and conducting legal audits.

- * **Research**

Extensive research on Vietnam's HR compliance is a prerequisite for setting up a HR system. The company must conduct dedicated research with the support of local consultants to reach a comprehensive understanding of both the legal requirements and common practices for HR compliance in Vietnam.

- * **Company Regulations**

Through research and consultant expertise, the company must adapt their regulations to the local Vietnamese regulations and customs. The company should produce a new comprehensive set of Company Regulations for their Vietnamese venture, and should not reuse generic regulations from their source country. Regulations should be outlined in the Employee Handbook document that must have a Vietnamese language edition. Other than the areas covered in the employee handbook, such regulations must also address employee workplace safety and health compliance and more recently, data privacy and security.

- » Workplace safety and health compliance: Vietnam has extensive requirements regarding workplace and safety and health compliance. Companies should ensure that their company regulations comply with provisions set out in the [Law No. 84/2015/QH13 Law on Occupational Safety and Health](#).
- » Data privacy and security: As of 2023, Vietnamese law does not have specific provisions regarding employee data privacy and security. However, legislation on data privacy has been recently passed in [Decree No.13/2023/ND-CP](#) on Personal Data Protection. It applies to foreign organizations and individuals that are involved in processing personal data in Vietnam and hence applies to FDI firms in Vietnam. FDI companies are required to submit documentation to Vietnamese authorities on how they collect and protect employee data. As data protection is a growing concern, companies should be prepared to update their company regulations as Vietnamese legislation expands.

- » Employee handbooks: Employee handbooks are mandatory for companies larger than 10 employees and must be registered with Vietnamese provincial labor authorities. The handbook is also an efficient way to communicate the organization's HR policies and procedures to employees. They should be clear, concise, and easy to understand. The handbook should at least include information on the following:
 - › Employee documentation and record-keeping such as employment contracts, personnel files, performance reviews/evaluations, attendance records
 - › Minimum wage
 - › Working hours
 - › Benefits
 - › Discrimination
 - › Grievance procedures
- » Language: HR documents such as offer letters, contracts and employee handbooks can be written in Vietnamese with English being optional. Documents must be written in Vietnamese with English being optional. However, enterprises are suggested to maintain documents in Vietnamese for appropriate local use. This usually requires enlisting outsource translation services.

* **Training**

Employees should be trained on the company's HR policies and procedures. This training should be ongoing and be updated as the policies and procedures change. The training should cover the following main topics:

- * The company's HR policies and procedures
- * The Vietnamese labor laws
- * How to file a grievance

* **Audits**

The company should conduct regular audits to ensure that its HR practices comply with the law. These audits should be conducted by an independent party. The audits should cover the following areas:

- * Payroll records
- * Timekeeping records
- * Discrimination complaints
- * Grievances
- * Other contexts depending on each specific case



Case study: Setting up a HR system in Vietnam for a global technological corporation

At Viettonkin Consulting, we have had the privilege to grow our HR Intelligence practices by supporting a large Fortune Global 500 corporation in their efforts to set up a comprehensive HR system for their Vietnamese entity. The HR strategy adopted by this corporation sheds light on how foreign investors can create a comprehensive HR compliant system in Vietnam by adapting the best practices specified above. We contributed to this process by providing our expertise in two specific areas: HR Setup and Compensation and Benefits (C&B).



- **Viettonkin's HR Setup Support**

During the HR setup phase, Viettonkin liaised with company HR lead to provide advice and support in HR compliance with Vietnam's regulations. Issues advised on include:

- * Which of the HR documentation requires bilingual (in Vietnam and English) or Vietnamese language versions. Viettonkin also offered document translation services.
- * How to draft legally compliant offer letters specifically for Vietnamese managers and call center workers.
- * The need for an Employee Handbook and Office regulations along with other corporate governance manuals that must be registered with Vietnam's provincial labor authorities.

- **Viettonkin's C&B Expertise**

The corporation's C&B team also consulted us on requirements and benefits in Vietnam. Viettonkin guided the corporation in which C&B practices were optional and which were mandatory in Vietnam. For optional practices, Vietonkin advised whether such practice is still indispensable because it is commonly practiced and expected by most Vietnamese workers.

For example, we advised the corporation on whether a 13th month bonus is mandatory. A 13th month pay bonus is not mandated by the Vietnam Labor Code. However, the 13 month bonus is a Vietnamese business custom that is popular and widely practiced. Employees usually receive a bonus during Vietnam's Lunar New Year if they have worked for the company for at least 12 months. Employees who

have worked for less than 12 months do not usually get this bonus. Other issues we advised on include: minimum wage for entry level and trained employees, allowances outside of the minimum wage, allowances for shift and night shift workers, variable pay, medical insurance, entry level salary standard rates, frequency of payment of salary, severance, overtime and holiday pay and other C&B practices specific to Vietnam.

- **Applying Best Practices**

To set up their HR system, the corporation undertook detailed legal research on labor regulations and common practices, under our support and guidance, which underscores the significance of localized HR strategies. Upon this research, the corporation decided to work with our local HR consultants to draft a comprehensive set of Company Regulations, pursuant to local relevant authorities, as well as spending 2-3 months working on crucial employment contract templates that captured the nuances of the local regulations. Ensuring compliance with the Vietnam Labor Code was crucial, but at the same time, Viettonkin also helped the corporation to balance that with its global practices and business goals.

The corporation created employment contracts in both Vietnamese and English, accommodating cultural and legal requirements of Vietnam. They provided a comprehensive framework for structuring roles, compensation, and benefits while also addressing topics such as work hours, leave policies, and probation periods. Having exerted efforts to craft a strong strategy, in the later implementation phases, the corporation opted for retaining our local services of payroll administration and management to reduce their in-house admin burdens, and focused internal resources on the business growth in the Vietnam market.



Firing process and employment termination in Vietnam

Termination of employment: Legal framework and requirements

In accordance with the Vietnam Labor Code 2019, there are several acceptable methods for terminating employment.

- **Automatic Termination**

An employment contract may automatically end upon its specified term expiration or when the employee completes their agreed-upon tasks.

In such instances, the company might be required to provide severance pay if the service term exceeds 12 months (unless covered by unemployment insurance).

The characteristics of a severance pay are determined by the employee's base income, the length of time the employee has spent working in their present position, and the total number of years the employee has been covered by social insurance.

- **Mutual Separation**

The law recognizes mutual agreement in terminating employment. Depending on the company's discretion, the employee's final compensation package may encompass severance pay, contractual benefits, including unused annual leave, medical leave, and monetary support.

- **Unilateral Termination**

- * **By the Company**

The company holds the authority to unilaterally terminate a labor contract with proper legal justification. Additionally, the company must ensure the employee receives advance written notice at least 30, 45, 90, or 120 days prior to the date of termination, corresponding to the specific contract type, job position, and business nature.

If a company fires an employee without providing the required notice period, the company may be required to pay the employee a sum of money in lieu of notice. As per Article 41 of Vietnam's Labor Code 2019, the final compensation package may include severance pay and contractual benefits.

However, there are some cases specified in [Clause 4, 5, 6, 7,8 in Article 34 of Vietnam's Labour Code 2019](#) in which written notice is unnecessary.

- * **By the Employee**

An employee can unilaterally terminate the employment contract without providing a plausible cause by serving advance notice to the company a prescribed period of time. Similar to unilateral termination by the company, the notice period depends on the specific contract type, job position, and business nature.

Exceptions to the notice obligation exist in cases of maltreatment, sexual harassment, pregnancy, late salary payment or when the employee reaches the statutory retirement age.

- **Retrenchment**

Legal provisions allow for termination if an employee becomes redundant due to organizational restructuring, technological changes, or economic reasons. This process, known as retrenchment, entails detailed requirements for legality, such as the formulation of a labor usage plan and notification to labor authorities. The retrenchment package may consist of job-loss pay and contractual benefits. Dismissal of employees in this case can only be carried out after consulting with the employee representative organization at the facility.

- **Dismissal**

A company may dismiss an employee for committing an act that violates either actions specified in their zero tolerance policy or labor law. In cases of dismissal, no final compensation package is required, but the employee may be obliged to compensate the company and any involved third parties as per legal provisions. Under [Article 125 of the Labor Code](#), a company may dismiss an employee for disciplinary reasons in the circumstances specified in clauses 1 to 4, which include:

1. The employee commits an act of theft, embezzlement, drug use or deliberate infliction of injuries at the workplace.

3. The employee commits a re-offense. An employee may be disciplined for a prior offense with disciplinary measures such as a deferment of pay rise or demotion. A re-offense occurs when the employee repeats the same offense before the disciplinary measure has been repealed, as outlined in Article 126 of the Labor Code.

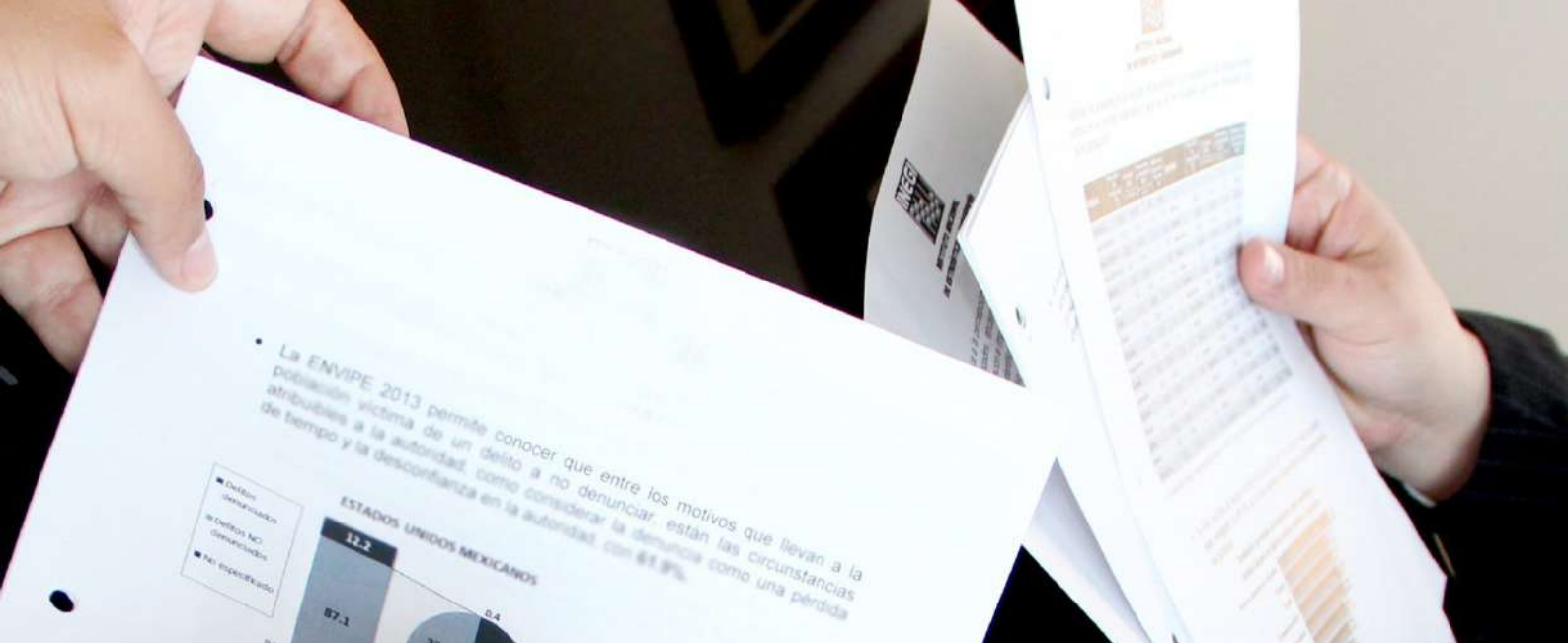
2. The employee discloses technological or business secrets, infringes the intellectual property rights of the employer, or commits any other acts which are seriously detrimental or pose a seriously detrimental threat to the assets or interests of the employer. This includes if an employee commits sexual harassment in the workplace against the internal labor regulations.

4. The employee fails to go to work for a total period of 5 days in 30 days, or for a total period of 20 days in 365 days from the first day he/she fails to go to work without acceptable excuses. Justified excuses include natural disasters, fires; the employee or his/her family member suffers from illness with a certification by a competent health facility; and other reasons as stipulated in the internal labor regulations.

Employees should be made aware of the company's zero tolerance policy (if any). The policy should list unacceptable violations that will instantly result in dismissal of the employee without exception. The zero tolerance policy should be included in the Code of Conduct section of the employment handbook document. Employees should also be briefed about this upon beginning work with the company.

Based on the provisions, stringent compliance with various requirements is mandated before such dismissal can be lawful. An improper handling of the dismissal process could lead to a labor dispute. The following is a brief step by step guide on the laws involved in dismissal to help simplify the process and avoid possible labor disputes.

1. Determining whether the employee's violation qualifies under the cases specified in Article 125 of the Labor act (2019). This needs to be substantiated with documented evidence.
2. Executing the disciplinary sequence based on the procedures in [Article 70 of Decree 145/2020/ND-CP](#) on disciplinary procedures
3. Pay salary and pay insurance books to employees in compliance with [Article 48 of the Labor Code](#).
4. Carry out procedures to terminate labor relations.



Handling sensitive terminations: Best practices for employment termination in Vietnam

Sensitive employee terminations involve misconduct allegations, performance issues, or other sensitive matters. These terminations can be challenging to manage because they frequently involve emotions and legal issues – this is the case in every national context, but they should be handled with even more care in a pro-employee regulatory environment such as Vietnam’s.

Here are some suggestions for handling terminations of sensitive employees in Vietnam:

- **Be prepared:** Before meeting with the employee, be ensured that you have all of your facts clear, including documentation or visual evidence of the employee’s performance or malfeasance.
- **Be respectful:** Even if the employee is being fired for cause, it is essential to be respectful. This requires being professional and courteous regardless of the employee’s demeanor, which helps “save face” for the terminated employee – an important aspect of Vietnamese culture.
- **Be precise:** Explain to the employee why they are being let go and their available options. This includes separation pay, outplacement assistance, and any other possible benefits.
- **Be sensitive:** Recognize that the employee may be experiencing emotions, and be considerate of their needs. This may involve providing a private location for them to convene or allowing them to bring a support person.

Here are some further guidelines for handling terminations of sensitive employees:

- **Having a witness** present during the termination meeting is always advisable. This can protect you in the event that you are accused of unlawful termination.
- **Record everything:** Include the date, time, and location of the termination meeting, as well as the justifications for the termination and the employee's response.
- **Follow company policy:** When terminating an employee, ensure that you are adhering to all of your company's policies and procedures. This will safeguard you against legal liability. This is the reason for the necessity of a well-drafted Employee Handbook and Company Regulations, which all employees have agreed to follow since they signed a contract with the company.

By adhering to these guidelines, you can manage sensitive employee terminations with professionalism and sensitivity.



05

Handling labor disputes in Vietnam



Definition and Types of labor dispute

Under [Article 179, Clause 1 of the Labor Code](#), labor disputes are disputing the following:

- a dispute over rights, obligations and interests among the parties during the establishment, execution or termination of labor relations or
- a dispute between the representative organizations of employees or
- a dispute over a relationship that is directly relevant to the labor relation.

In Vietnamese law, there are three types of labor disputes with different provisions: 'Individual labor disputes', 'rights based collective labor disputes' and 'interest based collective disputes'. ([Point a,b, Clause 1 Article 179 of the Labor Code](#))

The following sections will address individual labor disputes which may be

- between a worker and an employer,
- between a worker and an organization sending the worker for overseas contract work or
- between dispatched workers and the hiring party.

Vietnamese law has different regulations for each type of labor dispute and some procedures in the following sections do not apply to rights based or interest based collective disputes.

Labor Disputes in Vietnam

Labor disputes are a common occurrence in Vietnam. According to the Ministry of Labor, War Invalids and Social Affairs, in general, the labor relations situation in 2023 will basically remain stable, the number of labor disputes and strikes will decrease, and there will be no major changes in the nature of work. As of early 2024, there will be more than 20 strikes nationwide, a decrease of 75% compared to the same period in 2022.

Some issues that often lead to labor disputes in Vietnam are:

- **Employee benefits (salary, bonus, social insurance):** These disputes are typically over unpaid wages, overtime pay, or bonuses.
- **Unilateral termination of labor contract:** These disputes are typically over the unilateral termination of employment, the main point is whether the termination was justified or whether the employee was properly compensated in case the employer illegally terminates the labor contract.
- **Discrimination:** These disputes are typically over discrimination on the basis of race, gender, religion, or other protected characteristics.

There are a number of ways to resolve labor disputes. These methods include:

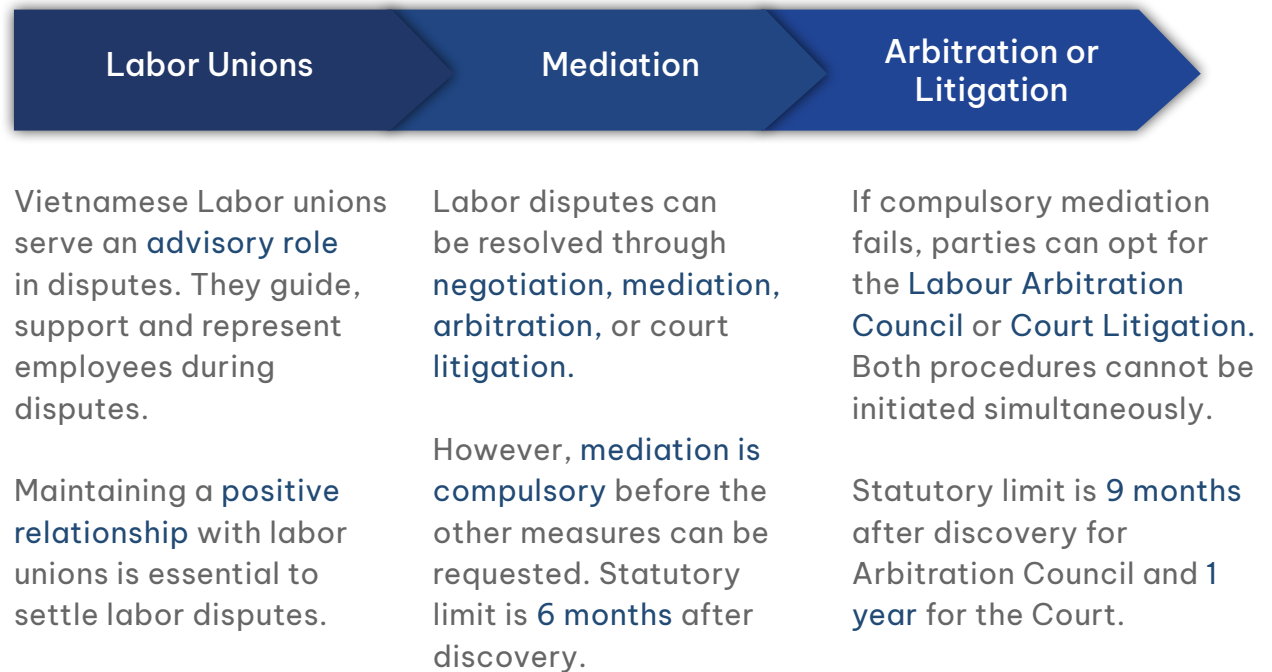
- **Direct negotiations:** This is the most common way to resolve labor disputes. In direct negotiations, the employer and employee or their representatives meet to try to reach an agreement.
- **Mediation:** Mediation is a process where a neutral third party helps the employer and employee or their representatives reach an agreement.
- **Arbitration:** Arbitration is a process where a neutral third party hears the case and makes a decision that is binding on both parties. In Vietnam, labor disputes are arbitrated in the Labor Arbitration Councils, which are regulated by specific provisions in the Labor code.
- **Court Litigation:** The process of resolving disputes in court in front of a judge or court officials follows the procedures and legal provisions prescribed by law.

The following section will cover how mediation, arbitration and litigation procedures are carried out to settle individual labor disputes in Vietnam.



Legal procedures for resolving individual labor disputes

Legal procedures for resolving individual labor disputes





- **The role of Labor Unions in labor disputes**

Labor unions play a crucial role in resolving labor disputes in Vietnam. Enterprises employing a significant workforce should be aware of labor unions, especially, grassroots Trade Unions belonging to the Vietnam Trade Union organizational system established in agencies, organizations, units, and enterprises. The establishment, dissolution, organization and operation of grassroots Trade Unions are carried out in accordance with the provisions of the Law on Trade Union ([Article 171, Labor Code](#))

Once established, the purpose of labor unions is to protect the legal and legitimate rights and interests of employees in labor relations through collective bargaining or other forms in accordance with labor law.

An agreement that is reached through collective bargaining and concluded in writing by the parties may be called Collective Labor Agreements (CLAs) ([Article 75, Labor Code](#)). These CLAs should be registered with relevant authorities and implemented accordingly.

[Article 8 of Decree No. 43/2013/ND-CP](#) grants Labor Unions the right to request the resolution of labor disputes through proper legal procedures.

In addition, the Labor Union is responsible for the following:

- * Guide and support employees to resolve individual labor disputes when required by employees; represent employees in the process of resolving individual labor disputes when authorized by the employee;
- * Participate in the individual labor dispute resolution meeting of the labor mediator upon request.
- * The superior trade union is responsible for participating with competent agencies, organizations and individuals in settling collective labor disputes and supporting the Labor Union in exercising their rights and responsibilities.

- **Compulsory mediation in Vietnam**

Under [Clause 1 of Article 188 of the Labor Code](#), compulsory mediation with a labor mediator must be attempted before any request is made for the resolution of an individual labor dispute by the Labor Arbitration Council or the Court. The labor mediator is a person appointed by the provincial authorities to mediate labor disputes and support the development of labor relations. ([Article 184 of the Labor Code](#)) There is a deadline for requesting mediation. The request for the labor mediator must be made within 6 months from the date of the discovery by the disputing party. ([Clause 1 of Article 190 of the Labor Code](#))

However, mediation is not mandatory for some cases specified in Clause 1a-e of Article 188, these include:

- * Dismissal or unilateral termination of the labor contract;
- * Compensation for damage and allowance upon termination of the labor contract;
- * Disputes between domestic workers and their employers;
- * Disputes related to social insurance, health insurance, unemployment insurance, and insurance against occupational accidents and diseases as per the respective applicable laws of Vietnam;
- * Compensation for damage between employees being sent to work abroad under contracts and their company; and
- * Disputes between the outsourced employee and the outsourced employer.





• Arbitration & Litigation

If compulsory mediation fails, the involved parties can make a request to resolve the labor dispute via the Labor Arbitration Council or the Court.

The procedure for resolution through the Labor Arbitration Council takes around 7 to 30 days and involves three steps:

- * Submitting a dispute resolution request to the Labor Arbitration Council,
- * Establishing a Labor Arbitration Panel ([Clause 4 of Article 185 of the Labor Code](#))
- * Making a final judgment to settle the labor disputes

There are different deadlines for requesting litigation and arbitration. For the Labor Arbitration council, this request must be made within 9 months of the discovery by the disputing party. For the Court the request must be made within 1 year of the discovery by the disputing part. ([Clause 2, 3 of Article 190 of the Labor Code](#))

• Costs of a labor dispute

Labor disputes can have a significant impact on businesses in Vietnam, both financially and operationally. According to the [Supreme People's Court of Vietnam](#), the fee for settling labor disputes is variable, from only 9 USD to over 2,000 USD depending on the dispute value. While a labor dispute case can last [6 months to arrive at a resolution under the method of mediation](#), it often takes 9 months to a year for a resolution in Court. Some of the most common impacts of labor disputes include:

- * **Lost productivity:** When employees are involved in a labor dispute, they are distracted from their work, leading to lost productivity and increased costs.
- * **High legal fees:** Businesses may have to pay for legal fees, mediation fees, or arbitration fees to resolve a labor dispute, which can be significant, especially for small businesses.
- * **Damage to reputation:** A labor dispute can damage a business's reputation if it is seen as being unfair to its employees. This can lead to lost customers and investors.
- * **Increased turnover:** Employees who are involved in a labor dispute may be more likely to leave their jobs, leading to increased turnover for businesses.



Practical measures to minimize labor disputes in Vietnam

In prevalent practice, labor disputes are varied resulting from many factors or reasons. When conflicts occur, first and foremost, the employer needs to double check all personnel records and documentation pertaining to the employee in question and try to define the root cause of the issues. Then a dialogue should be set up between the company and the employee in such a way that the issue is acknowledged, negotiations are made and both parties might reach an amicable agreement.

In case the direct negotiation between both parties is failed, conciliation by labor conciliator or arbitration might be the next step. With over a decade of hands-on experience in HR professionals, Viettonkin has contemplated on some best practices that might be helpful to enterprises and investors doing business in Vietnam.





- **Consult with a labor lawyer or counsel**

Consulting with a labor lawyer or counsel is essential for companies to prevent and resolve labor disputes. The labor laws and regulations in Vietnam are complex, and seeking legal guidance can help companies understand their legal rights and obligations. By developing effective strategies, companies can avoid disputes and potential legal or reputational damage.

- **Consider the role of trade unions**

If the company and its employees have agreed to establish a grassroots trade union, it is important to consider the role of the union when labor disputes arise. Employees may seek the opinion of the trade union prior to negotiating with the company regarding any disputes. By working effectively with trade unions, companies can build trust with their employees and promote a positive work environment.

- **Understand the role of trade unions before the establishment**

Before establishing a trade union, companies should clearly understand the role of a trade union. This can help to ensure that relevant agreements or documents are made between the trade union and the company. Understanding the role of a trade union can also help companies comply with the labor laws and regulations in Vietnam, which can ultimately enhance their reputation and legal compliance.



Case studies of labor dispute resolution in Vietnam

In the realm of labor dispute resolution in Vietnam, a compelling case study, Vietnam Waste Solutions Limited (VWS) offers profound insights. This instance serves as microcosms of the challenges and solutions that foreign investors face when navigating the intricate landscape of labor conflicts in the country.



- **Background**

Mr. Hoang Xuan N had a long-standing employment history with Construction Company B, part of the Ministry of Construction, which later became T Corporation. He held various leadership positions, including Director of Enterprise 8 and Deputy Director. His tenure included significant responsibilities, such as overseeing the Nghi Son construction site.

- **Issue**

The issue arose when Mr. N had an accident in 2005 and underwent medical treatment. Subsequently, Construction Company B underwent transformation into a state-owned enterprise, leading to the termination of Mr. N's labor contract. While he was entitled to benefits as per regulations, a dispute emerged regarding the terms of his retirement settlement.

- **Decision**

Based on the case details, the appellate court rejected some of Mr. Hoang Xuan N's appeals and accepted part of T Corporation's appeal.

- **Alternative solutions and lessons for a company**

- * **Clear Contract Terms:** Ensure that employment contracts clearly define terms of termination and retirement benefits to avoid ambiguity in the future.
- * **Effective Communication:** Encourage open and transparent communication channels between employees and management to address concerns promptly.
- * **Dispute Resolution Mechanisms:** Implement internal dispute resolution mechanisms, such as mediation or arbitration, to resolve conflicts without resorting to legal action.
- * **Legal Expertise:** Have legal experts well-versed in labor laws to guide the company in compliance with regulations.
- * **Documentation:** Maintain detailed records of employment history, performance, and dispute resolution processes.



06

Conclusion and Recommendations

In the intricate realm of hiring and firing employees in Vietnam, foreign investors and CEOs are entrusted with the task of navigating complexities while harnessing the nation's boundless potential. As we bring our comprehensive guidebook to a close, we revisit pivotal insights and takeaways, present conclusive recommendations, and cast our gaze forward to the future outlook of hiring and firing practices within this vibrant economy.





8 Key takeaways in hiring and firing people in Vietnam

1. A strategic and meticulous approach is imperative for businesses contemplating entry into the dynamic Vietnamese job market. Identifying essential capabilities that align with business strategy lays the foundation for successful ventures.
2. Crafting a recruitment plan tailored to local labor regulations, employing methods like executive search and internal hiring, ensures adherence to legal nuances and maximizes talent acquisition.
3. Establishing a robust hiring system is pivotal, and a comprehensive Hiring Kit with SOPs for recruitment and onboarding becomes the backbone of a seamless hiring journey.
4. Acknowledging the flexibility offered by work contracting or short-term, project-based hiring is essential, especially during the exploratory phases of market discovery or product development.
5. Leading FDI firms and MNCs in Vietnam showcase excellence in talent programs, notably Management Trainee Programs, attracting top-tier applicants. Cultural and linguistic challenges in hiring remote workers require careful consideration, emphasizing the complexity of compensation and benefits.
6. The significance of employment contracts cannot be overstated, serving as the legal foundation that outlines rights and obligations in an employment relationship.
7. Understanding Vietnam's labor regulations, covering minimum wage, working hours, benefits, and anti-discrimination, is crucial for effective personnel management.
8. HR compliance gains paramount importance in Vietnam due to a robust legal framework. Termination methods, especially in sensitive cases, demand a nuanced approach, considering emotional and legal aspects. Addressing labor disputes requires a thorough examination of personnel records, acknowledging the root cause, and initiating a dialogue for amicable resolutions.



Future outlook and recommendations for hiring and firing practices in Vietnam

Vietnam's ongoing economic growth trajectory heralds promising opportunities. With continued investment and a burgeoning technological landscape, the demand for skilled professionals is poised to soar, warranting a heightened emphasis on upskilling and reskilling.

As businesses increasingly integrate technology to enhance the employee experience (EX) throughout the entire employee lifecycle—from talent attraction (TA) to hiring, onboarding, and offboarding—the recruitment landscape is poised for significant transformations. A key trajectory in hiring practices is the incorporation of people analytics, providing invaluable insights into workforce dynamics.

Emphasizing the pivotal role of establishing an effective human resource management system, it is essential to align performance management with both the database-driven people analytics and real-time assessments of employee performance. This dual approach not only establishes a robust foundation but also serves as a preventive measure against talent risks and potential labor disputes.





Preparedness is paramount when addressing labor disputes, with proactive measures involving a well-prepared database and a support system, backed by legal consultations from Viettonkin's labor attorneys. Adopting a structured dispute resolution process, endorsed by internal controls and the participation of relevant stakeholders, ensures a swift and decisive response to any labor-related challenges.

Proactively shaping the organizational culture is the fourth imperative. Companies should craft a corporate culture that embodies the global identity while embracing the local essence, guided by language and cultural consultants from Viettonkin. This cultural amalgamation not only fortifies the recruitment and HR management activities but serves as a powerful tool for talent attraction, brand promotion, and recruitment in evolving landscapes.



Proactively shaping the organizational culture is the fourth imperative. Companies should craft a corporate culture that embodies the global identity while embracing the local essence, guided by language and cultural consultants from Viettonkin. This cultural amalgamation not only fortifies the recruitment and HR management activities but serves as a powerful tool for talent attraction, brand promotion, and recruitment in evolving landscapes.

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