

Living Wage Update: March 2020

Rural Vietnam



Living wage per month

VND 4,618,167
(USD 199)



Cost of decent standard
of living for a family

VND 7,729,194
(USD 333)



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1. BACKGROUND

This report updates the living wage and living expenses for a basic but decent living standard for a family for rural Vietnam.²

The net living wage (i.e. take home pay required for decency) and cost of a basic but decent living standard for a family in rural Vietnam are updated in this report to March (the study month) of 2020 to take into account the amount of inflation since the original study in March 2016. Without accounting for inflation, the net living wage estimated in 2016 would not be sufficient for workers to have a basic but decent standard of living in 2020 because the purchasing power of the living wage would have decreased. Similarly, living expenses for a reference family are also updated to March 2020 to account for inflation.

The gross living wage is updated to March 2020 by also taking into consideration income taxes and mandatory payroll deductions that workers would need to pay on the updated March 2020 living wage. This is done using March 2020 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN MARCH 2016

The net living wage was estimated as VND 3,572,698 in March 2016 in the original living wage country report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security and union dues, was estimated as VND 3,991,841 in March 2016. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as VND 6,680,944 in March 2016.

3. INFLATION RATE USED FOR UPDATE

The General Statistics Office of Vietnam (GSO) is the government body responsible for computing and reporting inflation and consumer price indexes (CPIs) in Vietnam. CPIs are reported for the following levels: national, urban, and rural, and for the following regions: Red River Delta, Northern midlands and mountain areas, North Central area and Central coastal area, Central Highlands, South East and Mekong River Delta. Relative price indices are also available for 63

¹ Prepared by Ian Prates, Richard Anker, and Martha Anker.

² This is an update to *Living Wage Report: Rural Vietnam, Soc Trang to Thai Binh*, March 2016. Research Center for Employment Relations (ERC). <https://bit.ly/2IZ1fjb>

municipalities/regions. The average value for the country is 94.36, which indicates that average prices in Vietnam are 5.64% less than in Hanoi.

We used the rural price index to update living wage and living expenses in this report to March 2020.

4. RECENT LEVEL OF INFLATION

Between March 2016 and March 2020, inflation for the whole country was 15.71%. Inflation for rural areas for this same period was almost identical at 15.69%.

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAX ON A LIVING WAGE

There continues to be 10.5% mandatory payroll deduction (8.0% social security, 1.5% health insurance, and 1% unemployment insurance) just as in 2016.³ Just as in 2016, income tax would not be due on a living wage. These payroll taxes are taken into consideration in estimating mandatory payroll deductions and so the gross living wage for March 2020.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR MARCH 2020

The updated net living wage, or take-home pay, for March 2020 is VND 4,133,260 per month. The gross living wage, which also takes into consideration income taxes and mandatory payroll deductions, is VND 4,618,167 per month for March 2020. Living expenses for a family for a basic but decent living standard for rural Vietnam is VND 7,729,194 for March 2020. Table 1 provides details of the original and the updated living wages and family living expenses.

³ <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-vietnamhighlights-2020.pdf>

Table 1: Living wages and living expenses for rural Vietnam, Soc Trang to Thai Binh, original study year and latest update

	March 2016 Original Report		March 2020 Latest Study Date	
	VND	USD	VND	USD
Living Expenses for Reference Family Per Month	6,680,944	301	7,729,194	333
Net Living Wage Per Month	3,572,698	161	4,133,260	178
Income Taxes and Payroll Deductions Per Month on Living Wage	419,143	19	484,908	21
Gross Living Wage Per Month	3,991,841	180	4,618,167	199
Exchange Rate to USD	22,200		23,228*	
Source of Exchange Rate	Original Report		IMF Archive September 2020	

*Average value from February 2020 to April 2020.