

Living Wage Update: March 2020

Urban Vietnam

Ho Chi Minh City



Living wage per month

VND 7,446,294
(USD 321)



Cost of basic but decent
standard of living for a
family

VND 11,862,692
(USD 511)



Photo by: ILO/Aaron Santos

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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 urban Vietnam, Ho Chi Minh City.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 are updated to the study month (March) 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 5,760,098 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 6,435,864 in March 2016. Living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as VND 10,252,975 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 national, urban, and rural; and for the following regions: Red River Delta, Northern midlands and

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

² This is an update to *Living Wage Report: Urban Vietnam, Ho Chi Minh City*, March 2016. Research Center for Employment Relations (ERC). <https://bit.ly/35UZVa1>

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 municipalities/regions with Hanoi as the reference area (i.e. index = 100) for comparison. The average value for the country is 94.36, which indicates that average prices in Vietnam are 5.64% less than in Hanoi. The value for Ho Chi Minh City in 2019 was 99.10, indicating that prices in HCMC are 0.9% less than in Hanoi and 4.74% more than the national average.

The urban price index was used to update the 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 urban areas for this same period was almost identical at 15.70%.

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, there income tax would not be due on a living wage. These payroll deductions are taken into consideration in estimating mandatory payroll deductions and so 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 6,664,433 per month. The gross living wage, which also takes into consideration income taxes and mandatory payroll deductions, is VND 7,446,294 per month for March 2020. Living expenses for a family for a basic but decent living standard for urban Vietnam is VND 11,862,692 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 the urban Vietnam, Ho Chi Minh City, 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	10,252,975	\$462	11,862,692	\$511
Net Living Wage Per Month	5,760,098	\$259	6,664,433	\$287
Income Taxes and Payroll Deductions Per Month on Living Wage	675,766	\$30	781,861	\$34
Gross Living Wage Per Month	6,435,864	\$290	7,446,294	\$321
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.