

Labor Law Updates for Vietnam

Asia Newsletter

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1. Introduction

Labor management is one of the most critical, and longstanding management challenges in Vietnam. Since implementation of the 2019 Labor Code in January 2021, Vietnam's labor laws have undergone rapid revision. Most recently, key legislation has been amended and enacted, for example, the Social Insurance Law and Trade Union Law in 2024. In addition, the labor market environment is changing rapidly, with a significant minimum wage increase scheduled for January 2026, rising prices, and intensifying competition for talent. This article provides a comprehensive overview of the latest developments in Vietnamese labor law practices and corresponding practical considerations for company executives and HR/labor affairs personnel.

2. Schedule for and Overall Trends in Labor Law Amendments

In recent years, Vietnam has undertaken a major overhaul of key labor and social security laws. Since implementation of the 2019 Labor Code in January 2021, the following laws have been enacted, and came into effect on July 1, 2025:

- Law on Trade Unions (No. 50/2024/QH15)
- Law on Social Insurance (No. 41/2024/QH15)
- Law Amending Law on Health Insurance (No. 51/2024/QH15)

In addition to these fundamental legal amendments, numerous changes directly impacting corporate practices are under way. These include revisions to the decree on foreign workers, minimum wage adjustments, ministry reorganization and provincial/municipal consolidation, and the impact of the personal information protection law on the labor sector. Companies must keep abreast of the latest regulatory developments on an ongoing basis, and promptly update their internal regulations and labor management systems.

3. Updates to Regulations Governing Foreign Workers (Decree 219/2025/ND-CP)

Regulations concerning the recruitment of, and work permits for, foreign workers, such as expatriates, who are essential to the operations of companies in Vietnam, have been revised and simplified by Decree 219/2025/ND-CP, which became effective on August 7, 2025. Key points with significant practical impact are as follows:

(1) Unification of Competent Authorities and Simplification of Procedures

Authorities previously divided among multiple entities have been unified, in principle, under provincial-level People's Committees (with possible delegation to subordinate bodies). When work involves multiple provinces, the People's Committee of the province in which the head office is located has jurisdiction. Certain procedures

also have been relaxed; if the employer's total number of work locations increases after a work permit takes effect, notifying the competent authority of the new location at least three business days in advance is now sufficient.

(2) Relaxation of Hiring Requirements and Pre-Employment Briefing Procedures

When hiring foreign workers in Vietnam on a labor contract basis, the requirements to "post recruitment information for Vietnamese nationals *on a government-designated website*" and "explain the necessity of hiring the worker to government agencies and obtaining written approval," which previously were mandatory, have been abolished. Now, it is sufficient to post the recruitment information on any website and submit a written explanation of the necessity for employment as a document accompanying the work permit application.

(3) Simplification of Procedures Through IT Utilization

Submitting applications through the National Public Service Portal now allows for the simultaneous processing of criminal record certificates, significantly reducing preparation time. In addition, if health examination results are registered in the National Insurance Database, it is no longer necessary to submit the examination results themselves. However, health examination results issued abroad are valid only if they originate from "countries or regions with which Vietnam has a mutual recognition agreement or treaty."

(4) Clarification of Requirements for Managers and Specialists

Documents required to prove a person's status as a company "manager or president" have been clarified by decree, including articles of association, business registration certificates, and appointment decisions. The requirements for a person to qualify as a "specialist" in the financial and high-tech sectors, based on decisions by the competent authority or government cooperation agreements, have been changed to reduce the required work experience for the intended position in Vietnam from two years to "one year or more." However, the path previously allowed under the old law, which permitted the use of "proof based solely on five years of work experience" is no longer available, and, in practice, stricter proof of both academic qualifications and experience is now required.

4. Impact of the 2024 New Social Insurance Law on Practice and Strengthened Penalties

The new Social Insurance Law, which became effective on July 1, 2025, expands the scope of covered individuals and significantly strengthens penalties for non-payment or evasion of social insurance contributions.

(1) Expansion of Applicable Persons and Measures Against Fake Contracting

Under the new law, Vietnamese workers with indefinite-term contracts or fixed-term contracts for one month or longer, regardless of the name used for the employment arrangement, are now covered by social insurance if their duties, wages, and management/supervision by one party are specified in the contractual arrangement. This clearly imposes an enrollment obligation even on workers employed under "disguised contracting" arrangements. In addition, individuals like corporate managers, inspectors, and representatives of state capital now are included, whether or not they receive a salary. Part-time workers whose contracts have a term of one month or longer also are covered if their monthly salaries meet or exceed the minimum social insurance contribution threshold. For foreign workers, the obligation to enroll arises when working under a fixed-term labor contract with a term of 12 months or longer (previously one year under the old law). References to holding a work permit or qualification certificate have been removed.

(2) Strict Penalty Provisions for "Payment Evasion"

The new law clarifies the definition of "payment evasion" (such as underreporting or failing to report the number of eligible employees or the amounts of their salaries) for social insurance premiums and imposes severe penalties. Failure to pay social insurance (SI) or unemployment insurance (UI) premiums in accordance with

the statutory timeline, or failure to register eligible workers, will result in fines of up to VND 150 million for corporations (up to VND 3 billion as a criminal penalty). Individuals also may face extremely severe criminal penalties, including fines of up to 1 billion VND, imprisonment for up to 7 years, and a ban on holding certain positions for up to 5 years. Companies therefore must ensure proper calculation and payment of insurance premiums.

5. The Rapidly Changing Labor Market and New Challenges in Wage and Labor Management

Alongside regulatory changes, Vietnam's labor market is undergoing a major transformation. Inflation and intensifying competition for talent make it increasingly difficult to manage wages using traditional, uniform approaches.

(1) Minimum Wage Increases and Rising Prices

Effective January 1, 2026, the minimum wage in Category 1 regions such as Ho Chi Minh City and Hanoi was raised to 5.31 million VND. This represents an approximately 7% increase year-on-year, and is the largest hike in the past four years. While the Consumer Price Index (CPI) for fiscal year 2025 is projected to rise by about 3.3%, significant fluctuations in the prices of daily necessities like food, rent, and education have increased employees' actual living costs substantially, which has created intense pressure on companies to raise wages.

(2) Intensifying Hiring Competition and Rising Starting Salaries

In the recruitment market, more companies are concentrating resources on specific positions that generate competitive advantages, such as experienced engineers and business development roles. This has led to fierce competition for a limited pool of top talent. Consequently, starting salaries for both new graduates and direct hires are projected to rise significantly in 2026, increasing by 5% year-on-year. Recruitment periods are lengthening also, with cases taking 2-3 months from offer to acceptance becoming common.

(3) Constraints on Pay Raise Budgets and the Need for Flexible Compensation Strategies

While pressure for salary increases is mounting, companies' available budgets for raises are limited, keeping average recent raises around 5-6%. Given these circumstances, strategic compensation design that balances cost control with attracting and retaining top talent is urgently needed. For instance, when hiring for rare, high-market-value positions, if the current salary structure cannot meet the candidate's desires, simply accepting the candidate's asking price risks disrupting internal salary balance. To prevent this, it is necessary to implement creative approaches, such as establishing a dedicated salary range for specific position to create base pay differentials, utilizing allowances, or expanding grade career paths to set higher requirements. When competitors attempt to use high starting salaries to poach workers, it is necessary to exercise careful judgment based on the company's financial situation. Options include implementing a uniform base pay increase (base up) within limited budgets or introducing flexible measures like perfect attendance bonuses or incentive systems.

(4) Changes to Wage Table Setting Rules

The 2019 Labor Law abolished the "5% rule" (requiring a minimum 5% pay gap between each grade level) for wage tables and eliminated the obligation to notify authorities of wage tables once they have been created. However, the obligations to consult with the in-house labor union (if one exists) and to post the wage tables internally remain. Therefore, it remains necessary to design wage tables via a proper process.

6. Practical Considerations for Contract Termination and Disciplinary Procedures

As the labor environment changes, disputes between employers and employees relating to contract termination and disciplinary actions are increasingly common. Vietnamese law is strongly protective of workers, and requires companies to adhere strictly to prescribed procedures.

(1) Unilateral Termination of Employment Contracts

The 2019 Labor Code significantly relaxed requirements for unilateral termination of employment contracts by employees. Whether a contract is indefinite or fixed-term, employees can terminate it unilaterally "for any reason," provided they comply with the statutory advance notice period (generally, 45 days for indefinite term contracts and 30 days for fixed-term contracts). Conversely, termination by the employer (company) is strictly restricted. Legitimate grounds for termination include "repeated failure to meet performance standards set by the employer (such standards must be established in work rules after consultations with labor unions)" and "unauthorized absence without just cause for five or more consecutive days."

(2) Obligation to Revise Work Rules and Countermeasures Against Sexual Harassment

Companies that employ 10 or more workers are obligated to create work rules and register them with local labor authorities. Of particular importance is the requirement that the work rules contain detailed "procedures and processes for preventing sexual harassment in the workplace and responding to acts of sexual harassment." This includes clear statements about the specific content of acts that constitute sexual harassment, responsibilities and procedures for handling complaints, details about disciplinary actions, and remedial measures for victims.

(3) Strict Disciplinary Action Procedures

Only four types of labor discipline sanctions (disciplinary actions) are permitted in Vietnam: (1) reprimands, (2) extension of salary increase period for up to 6 months, (3) demotion, and (4) dismissal (disciplinary dismissal). It is important to note that imposing a "salary reduction" as a disciplinary action is illegal and invalid. Moreover, disciplinary actions cannot be taken unless all grounds for discipline are specifically stated, in advance, in the relevant work rules, labor contracts, or labor laws. When implementing disciplinary actions, including disciplinary dismissals, a statutory "hearing procedure" must be followed. This procedure requires not only the attendance of the employee but also the mandatory presence of the executive committee of the labor union to which the employee belongs. The employer has an obligation to prove the employee's fault on an objective basis, and to prepare minutes of the proceedings. It also is critically important, in practice, that disciplinary actions are prohibited against female workers during pregnancy or childbirth leave. To prevent internal misconduct before it occurs, it is essential to establish a compliance framework during normal operations. This includes developing work rules and compliance regulations, setting up internal reporting channels, and conducting regular training.

7. Summary and Recommendations

As summarized in this article, labor management practices in Vietnam have become more complex and sophisticated than ever before due to successive revisions of labor laws and regulations and rapid changes in the labor market. Strengthened penalties in the Social Insurance Law and changes to foreign worker regulations carry significant risks that could have a fundamental impact on corporate management. Rising minimum wages and intensifying competition for talent necessitate strategic compensation design and meticulous implementation of personnel evaluation systems.

Nishimura & Asahi's Vietnam practice team provides comprehensive legal advice on a wide range of labor and employment issues faced by Japanese companies operating in Vietnam. Our services include review and revision of internal work rules and employment contracts, establishment of labor compliance frameworks in line

with the latest legal developments, and support for individual labor-management disputes. Drawing on our in-depth knowledge of Vietnamese labor law, our experienced lawyers are well positioned to help clients navigate complex employment matters.

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