



# Vietnam Approves Labor Code for 2021

By: [Vietnam Briefing](#), [Dezan Shira & Associates](#)

- *Vietnam's National Assembly approved a new Labor Code which will take effect in January 2021.*
- *The amended code offers greater protection for employees and is viewed as better aligned with international best practices.*
- *Businesses should review their labor practices and prepare themselves to be compliant when the labor code takes effect.*

Vietnam has approved an amended Labor Code which will come into effect in January 2021. The amendment to the labor regulations are a step towards aligning with international labor standards particularly as Vietnam integrates into the world economy as noted by the [International Labor Organization](#) (ILO).

Most of the code remains the same however, changes have been introduced to probationary employment, mandatory work rules, notice requirements, and other provisions generally suited to employees.

We look at key aspects of the new code.

## **Key provisions of the labor code**

**Working hours:** While the working hour limit remains the same as 48 hours per week, the new code states that normal working hours cannot exceed eight hours a day or 48 hours per week. However, if the employer and employee agree on an overtime deal, the overtime cannot exceed 12 hours a day, 40 hours a month and 200 hours a year. For industries such as [textile and clothing](#), [footwear](#) and [electronics](#) in which seasonal orders during certain times of the year require an extensive workload, an overtime cap of 300 hours has been specified.

**Labor contracts:** The amended labor code now lists only two types of labor contracts as compared to three earlier. Definite-term contracts, which cannot have a term longer than three years, and indefinite-term contracts. The definite contract can only be renewed once. Foreigners who have [work permits](#) (valid for two years) will also be able to renew only once. Seasonal contracts will no longer be permitted from 2021.



**Termination:** In a boost to employees, employees will be able to immediately terminate a contract for mistreatment, pregnancy and if the employer fails to pay salary on time. As per the current labor policy employees are subject to minimum notice requirements (30 days for definite term, 45 days for indefinite term).

**Unions:** Vietnam will now allow independent trade unions to operate as opposed to currently being supervised by the state-run Vietnam General Confederation of Labor (VGCL). The independent union will still be required to get permission from state authorities to operate. This is partly seen as Vietnam enters into [free trade agreements](#) which require the opening of trade union rights. Nevertheless, further guidance will be required on how this will happen practically.

**Retirement age:** Vietnam will also increase the retirement age for men to 62 from the current 60 and increase the same for women to 55 from the current 50. However, workers may retire later or sooner depending on the situation. For example, employees working in dangerous environments or involved in heavy lifting can retire sooner, while those who work in the private sector or in high skilled jobs can retire later. The maximum extension for this will be five years. However, the increase in retirement age will be done gradually for men and women by 2028 and 2035 respectively. The increase in retirement has been done to avoid a labor shortage from 2040 and to address social insurance deficits.

**Discrimination:** The new code has safeguards protecting employees from discrimination at the workplace. This includes protection from sexual harassment and discrimination based on skin color, race, nationality, ethnic group, gender, marital status, pregnancy, political views, disability, HIV status or if in a trade group. The amended labor code also enhances protections for younger workers.

## **Other changes**

In addition, the government will not regulate salary policies at individual companies that are negotiated between the employer and employees, however, rules on [minimum wages](#) must be followed.

Employees will also be entitled to an [additional day off](#) either preceding or after September 2 – the Vietnamese National Day.



## Going forward

The amended labor code will help Vietnam match international standards as it becomes a part of several free trade agreements including the [European Vietnam Free Trade Agreement](#) (EVFTA) and the [Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#) (CPTPP).

The new code will have an impact on businesses and employers should seek to obtain assistance with regards to their labor practices to ensure their policies are legally compliant in 2021.

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