



September 1, 2015

Respectfully to: **H.E. Mr. NGUYEN TAN DUNG**
Prime Minister of the Socialist Republic of Vietnam

Cc : Mrs. Pham Thi Hai Chuyen
Minister of Labour – Invalids and Social Affairs

Mr. Bui Quang Vinh
Minister of Planning and Investment

Mr. Pham Minh Huan
Chairman of National Wage Council

Mr. Dang Ngoc Tuan
Chairman of Vietnam General Confederation of Labor

Mr. Vu Tien Loc
Co-Chairman of Vietnam Business Forum/
President of Vietnam Chamber of Commerce and Industry

Re.: Regional minimum wages in 2016

Your Excellency the Prime Minister,

We would like to express our warmest greetings and sincerest gratitude to your unending efforts to improve the business environment in order to promote the economic and social development of Vietnam.

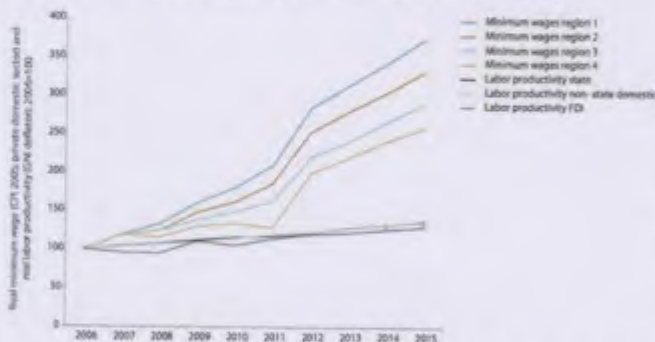
We understand the National Wage Council will meet again to finalize a new minimum wage by September 3, 2015. We understand further that the Vietnam General Confederation of Labour is proposing a steep increase of 16.8%, on top of increases of 29% in 2012, 17.5% in 2013, 15% in 2014, and 15% in 2015 whilst the Vietnam Chamber of Commerce and Industry (“VCCI”) suggests a more realistic increase of 9-10%, and the Vietnam Textiles and Apparel Association and other industry associations exposed to more competitive international export markets, had proposed an increase of 6-7%.

Since most AmCham companies are involved in international trade and investment, and exposed to intense global competition, an adjustment at the lower range may be appropriate, especially considering the working conditions, living standards of employees, the expected very low level of inflation (CPI) in Vietnam, currency devaluations in neighboring countries, and the fact that most AmCham companies already pay considerably more than the minimum wage.

AmCham's objective is to promote trade and investment between Vietnam and the United States, and we cooperate with VCCI and other business associations in Vietnam to make recommendations to improve the business environment. In particular, we believe we can make a positive contribution by bringing an international perspective to various issues that are under consideration, for example the Minimum Wage 2016 adjustment.

We would like to share with you the following relevant information from international experts.

Figure 13: Real Minimum Wages Have Risen Much Faster than Productivity



The World Bank's most recent update on Vietnam's economic developments concluded that (1) outside the government sector, Vietnam's minimum wages have risen rapidly in recent years, far outstripping productivity growth, which has been practically nil (see chart); (2) a high minimum wage, if enforced, will reduce formal employment and will discourage further FDI and jobs it creates; and (3)

Vietnam's private sector minimum wage is high relative to other countries.

"A 2010 World Bank study showed that a 10% increase in Indonesia's minimum wage reduces formal employment by 1%. The preoccupation with wages remains misguided. If political leaders are serious about improving the lot of poor, they should focus on reforming labor laws that protect formal sector jobs at the expense of nine out of 10 workers that are employed informally."

A comprehensive review by the U.S. National Bureau of Economic Research of more than 100 studies on minimum wages in the United States found that "... the evidence points to dis-employment effects" and "... overwhelming evidence of stronger dis-employment effects for the least-skilled groups."

In short, a wide range of expert studies have shown that minimum wage increases that are too high, that exceed productivity growth, will reduce employment, especially among low-skilled workers, and will reduce FDI.

We believe that this matter is of crucial importance to the national interest and strongly support your efforts in the National Wage Council and with the Government to gain understanding of the economic realities in this very important imminent decision of setting an appropriate minimum wage, suitable to Vietnam's generally low-productivity workforce, and to Vietnam's level of social and economic development.

Respectfully yours,



Marc Townsend
Vice Chair
AmCham Vietnam