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Living Wage Estimates
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SECTION I. INTRODUCTION

‘Policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of protection’ (ILO Philadelphia Declaration, 1944, Annex to ILO Constitution)

Living wage—and the idea that workers should be paid a decent wage and not have to live in poverty—has a long and distinguished history. Indeed, living wage could be considered a mainstream idea and in any case is very far from a radical idea. Well respected individuals, institutions and organizations have advocated payment of a living wage for hundreds of years. This includes Declarations of Human Rights; Popes; Presidents of countries; Constitutions of countries and the International Labor Organization; academics famous for championing free market economics; 20th century industrialists; codes of conduct of company and standard setting organization in the 21st century; and United Nations Sustainable Development Goals.

Although there is general agreement on the principle that workers should earn a living wage as indicated above, until now there was no agreed methodology to measure living wage despite the ILO and United Nations commitment to poverty reduction and “decent work for all”.¹ This was a major lacuna given the great importance of decent wages to workers and the need to reduce poverty (Anker, 2011).

This report uses the methodology developed by Anker and Anker (2017) to estimate a living wage for the urban areas of Vietnam with focus on the garment industry in Ho Chi Minh City. There are a number of new and innovative aspects of this methodology:

- Transparency with assumptions used to estimate living wage clearly indicated. We feel that it is important for stakeholders and others to understand how living wage benchmarks are estimated and what workers and their families would be able to afford if they earned a living wage. Typical other methodologies are not transparent as regards indicating what it means to live on less than a living wage.

¹ Target 1B of World Millennium Development Goal is “Achieving full productive employment and decent work for all, including women and young people”.

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Under the Aegis of Fairtrade International, Forest Stewardship Council, GoodWeave International, Rainforest Alliance, Social Accountability International, Sustainable Agriculture Network, and UTZ, in partnership with ISEAL Alliance and Richard Anker and Martha Anker
Living wage is based on normative standards for nutritious diet, healthy housing, adequate health care, and education for children. This normative basis in the Anker methodology contrasts to the typical methodology that only ensures that workers and families are able to afford a sufficient number of calories.

Living wage is time and place specific so that the living wage is seen as realistic for the location for which it is estimated. This means that living wage increases with economic development and rising incomes. This also means that separate living wage benchmarks are necessary for rural and urban areas.

Wages used to compare current wages paid by establishments to living wage includes all relevant forms of remuneration including fair and reasonable values for in kind benefits and cash allowances while excluding overtime.

Methodology is internationally comparable as living wage estimates are based on the same principles everywhere.

Methodology is universal and relevant for all countries in the world (not just lower income countries).

Methodology is practical and relatively inexpensive, as it uses a judicious mix of critical analyses of secondary data and rapid assessment methods for collection of primary data.

This report has 4 sections. Section I introduces the Anker methodology and how it is applied to estimate the living wage as well as the context for this study which is Ho Chi Minh City and the garment industry.

Section II explores the food cost, housing cost, and non-food and non-housing cost needed to ensure decent living standards for a reference size family by using the national survey data and post checks based on new field research. At the end of this section, an estimate of living cost for a reference family is presented.

Section III estimates the number of full-time workers in a reference family, the net living wage, compulsory deductions from pay, and the gross wage a worker should be paid to ensure a living wage.

Section IV calculates the prevailing wages of garment workers in Ho Chi Minh City and estimates the gaps between the living wage benchmarks and the prevailing wages.

1. BACKGROUND

The Global Living Wage Coalition, with financial support from Ministry of Foreign Affairs of the Netherlands, Directorate-General for International Cooperation (DGIS) commissioned this report with facilitation support provided by Social Accountability International (SAI), a member of The Global Living Wage Coalition. The Global Living
Wage Coalition brings together Fairtrade International, Forest Stewardship Council (FSC), GoodWeave International, Rainforest Alliance (RA), Social Accountability International (SAI), Sustainable Agriculture Network (SAN), and UTZ, in partnership with the ISEAL Alliance and global living wage experts, Richard Anker and Martha Anker. This Coalition is built with the shared mission to see continuous improvements in workers' wages, in the farms, factories and supply chains participating in their respective certification systems and beyond, and with the long-term goal for workers to be paid a living wage. Each living wage benchmark commissioned by the Coalition is made public to further this aim and to increase the opportunity for collaboration toward payment of a Living Wage.

The Global Living Wage Coalition sees the calculation and release of living wage benchmarks as the first step in a long-term process. The Coalition does not believe the benchmarks will or should supplant collective bargaining rights, but will serve as a replicable tool to support social dialogue between workers and employers. For many developing country producers, wages form an important part of the costs of production. As such, it is important to introduce wage requirements in the standards systems of Coalition members only in combination with dialogue and involvement of actors at all levels of the supply chain.

The work of the Global Living Wage Coalition, including activities leading to this living wage study, is further supported by the Ministry of Foreign Affairs of the Netherlands, Directorate-General for International Cooperation (DGIS).

2. LIVING WAGE ESTIMATE

Our estimate of a living wage for HCMC for March 2016 is VND 6,435,864 (USD 290)\(^2\) per month, and therefore VND 247,533 (USD11) per workday.

After mandatory deductions, the net living wage (take-home pay) is VND 5,760,098 (USD 259)\(^3\) per month, and therefore VND 221,542 (USD 10) per workday.

The research covers wage workers (with a focus on garment workers) who are eligible to the labour rights provided for by the Vietnam Labour Code. We do not consider workers in the informal sector or temporary/seasonal workers. Over 80% of garment workers in Ho Chi Minh City are internal migrants from rural provinces of Vietnam\(^4\) and wages from the factories are their only source of income. The local workers, who account for a minority in the labour force of the garment factories in Ho Chi Minh City, have other

\(^2\) The exchange rate used here is 1 USD=22,200 VND although the actual exchange rates during the research period fluctuated from 22,200 VND to 22,400 VND for 1 USD.

\(^3\) The exchange rate used here is 1 USD=22,200 VND although the actual exchange rates during the research period fluctuated from 22,200 VND to 22,400 VND for 1 USD.

minor sources of income, such as from agriculture, but wages from the garment factories remain their most important livelihood.

Since 2006, the Government of Vietnam has increased the minimum wages on an annual basis with the real minimum wage increased by more than 10%/year on average in the past decade. However, with the current weaknesses of the trade unions and the absence of genuine collective bargaining in Vietnam in general and in the garment industry in particular, the minimum wages have actually been used as the basic salary paid to the rank-and-file workers. The gross living wage for this area is 84% higher than the minimum wage applicable for Region 1 (including Ho Chi Minh City) in 2016. The living wage is 34% higher than the average monthly prevailing wage in the sector at the time the fieldwork was conducted. The average monthly prevailing wage was calculated by taking into account: (i) basic salary; (ii) common cash allowances and bonuses; and (iii) common in-kind benefits.

3. CONTEXT

The Socialist Republic of Vietnam is the eastern-most country on the Indochina Peninsula in Southeast Asia. With a population of 94.1 million, as of March 2016, it is the world’s 14th most populous country, and the eighth most populous Asian country. According to the UNDP Human Development Report, Vietnam’s Human Development Index (HDI) value for 2013 was 0.638 which is in the medium human development category positioning the country at 121 out of 187 countries and territories. Compared with regional countries, Vietnam’s HDI remains lower than those for China and Indonesia.

The economic reform (‘Doi Moi’) launched in 1986 has transformed Vietnam from one of the poorest countries in the world, with per capita income below USD 100, to a lower middle-income country within a quarter of a century with per capita income of over USD 2,000 by the end of 2014. Over the last few decades, Vietnam has made remarkable progress in reducing poverty and has become a lower-middle income country. The percentage of people living in poverty dropped from almost 60% in the 1990s to 13.5% in 2014 in urban areas.

The Multidimensional Poverty Index (MPI), which identifies multiple deprivations in the same households in the areas of education, health and living standards, calculates the

---

7 http://www.worldometers.info/world-population/vietnam-population/.
share of the population that is multi-dimensionally poor, adjusted by the intensity of the deprivations. The MPI gave Vietnam a score of 6.4 in 2014. According to this index, 6.4% of the population is multidimensionally poor, while an additional 8.7% is near multidimensional poverty.

Table 3.1 provides economic and social indicators for Vietnam. The multidimensional poverty headcount is 10.5 percentage points lower than income poverty rate, which implies that some individuals living below the income poverty line may have access to non-income resources.

Table 3.1: Economic and Social Indicators for Vietnam (2015)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Vietnam</th>
<th>Ho Chi Minh City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>93.4 million</td>
<td>8.2 million</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>USD 2,109</td>
<td>USD 5,538</td>
</tr>
<tr>
<td>Human Development Index</td>
<td>0.666 (Ranking: 116)</td>
<td></td>
</tr>
<tr>
<td>Population below national poverty line(^9)</td>
<td>13.5% (urban)</td>
<td>0.89(^{10})</td>
</tr>
<tr>
<td>Population below national extreme poverty line</td>
<td>6.7% (urban)</td>
<td>0%</td>
</tr>
<tr>
<td>Inequality (Gini Coefficient)</td>
<td>38.7</td>
<td></td>
</tr>
</tbody>
</table>

3.1 Ho Chi Minh City

Ho Chi Minh City is the economic center of Vietnam and accounts for a large proportion of the economy of Vietnam. Although the city takes up just 0.6% of the country's land area, it contains 8.34% of the population of Vietnam, 20.2% of its GDP, 27.9% of industrial output, and 28.9% of the Foreign Direct Investment (FDI) projects in the country in 2015.\(^{11}\) In 2011, the city had a labour force of 4,344,000 of whom 130,000 were over the labour age norm (in Vietnam, 60 for male and 55 for female workers). In 2015, GDP per capita reached USD 5,538\(^{12}\), compared to the national average level of USD 2,109. The economy of Ho Chi Minh City consists of industries ranging from mining, seafood processing, agriculture, and construction to tourism, finance, industry and trade.

\(^9\) Vietnam’s urban poverty line (World Bank database (Link: [http://data.worldbank.org/country/vietnam](http://data.worldbank.org/country/vietnam)).
The FDI sector is the most important economic sector of Ho Chi Minh City, contributing 62.1% to the city’s GDP. Ho Chi Minh City has made remarkable progress in poverty alleviation: the proportion of households living under the poverty line of the city reduced from 17% to 1% between 1992 and 2015.\footnote{http://daidoanket.vn/dan-toc/tp-ho-chi-minh-no-luc-giam-ngheo-ben-vung/69187.}

\textit{Figure 3.1: Map of Ho Chi Minh City}

\begin{center}
\includegraphics[width=\textwidth]{figure31.png}
\end{center}

Source: www.investinvietnam.vn

Ho Chi Minh City has 24 districts. For this study, we conducted fieldwork research in 3 districts: Binh Tan, Thu Duc and Cu Chi (marked with a star in Figure 3.1). Cu Chi, together with 4 other districts, are regarded as more suburban areas compared to Binh Tan and Thu Duc although all three districts are defined as urban areas by national administrative standards. Binh Tan and Thu Duc have higher levels of industrialisation compared to Cu Chi.

Ho Chi Minh City is also the center of the garment industry of Vietnam with 62% of export-oriented garment companies concentrating in the city and the neighboring provinces (Dong Nai, Binh Duong and Long An). There are 936 garment and textile companies in Ho Chi Minh City alone, mostly concentrating in Binh Tan, Binh Thanh, Thu Duc, District 12, Cu Chi and Hoc Mon.\footnote{This is the number of garment companies in Ho Chi Minh City enlisted in Vietnam Yellow Pages (Link: http://yellowpagesvn.com/cateprovinces/112370/Garment-Companies_in_ho-chi-minh-city.html).} Therefore, the fieldwork in Binh Tan, Cu Chi and Thu Duc allowed us to ensure the representativeness of the estimate of our living wage for the garment industry as well as the whole city.
3.2 Vietnam’s garment industry

Vietnam is becoming an increasingly important garment exporting country. The textile and garment sector of Vietnam is one of the country’s largest industries and a key contributor to its economic growth. In 2015, Vietnam’s textile and garment exports increased 9.1% year over year (YOY) to total approximately USD 22.81 billion, accounting for 15% of the country’s gross domestic product and 18% of its total exports.¹⁵

Table 3.2: Overview of Vietnam’s Textile and Garment Industry (updated to 2015)

<table>
<thead>
<tr>
<th>Total number of enterprises</th>
<th>6,000 (including 2,500 export-oriented companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force size</td>
<td>Mostly SMEs (200-500 workers)</td>
</tr>
<tr>
<td>Enterprises by ownership</td>
<td>Private domestic companies (84%)</td>
</tr>
<tr>
<td></td>
<td>Foreign-owned companies (15%)</td>
</tr>
<tr>
<td></td>
<td>State-owned companies (1%)</td>
</tr>
<tr>
<td>Enterprises by stages of garment production</td>
<td>Garment (70%); Yarn (8%); Textile (17%); Dye (4%); Supporting (3%)</td>
</tr>
<tr>
<td>Total employment</td>
<td>2.5 million people</td>
</tr>
<tr>
<td>Average age</td>
<td>28 years old</td>
</tr>
<tr>
<td>Total export value (2014)</td>
<td>USD 24.5 billion</td>
</tr>
<tr>
<td>Total import value (2014)</td>
<td>USD 15.8 billion (50% from China)</td>
</tr>
<tr>
<td>Key Export Products</td>
<td>Jackets, t-shirts, trousers, shirts</td>
</tr>
<tr>
<td>Enterprises by processes</td>
<td>CMT (70%); FOB (20%); ODM (9%); OBM (1%)</td>
</tr>
</tbody>
</table>


*Notes: - CMT: Cut-Make-Trim

- FOB: Freight on Board

- ODM: Original design manufacturing

- OBM: Original brand manufacturing

As the fifth largest garment exporting country in the world, Vietnam’s textile and garment industry has grown at the average rate of 22% per year in the period of 2010-2014. The biggest export markets for Vietnam’s textile and garment industry include the United States (47% of total export value) and Europe (16%).

Around 57% of the enterprises are located in Ho Chi Minh City and neighboring provinces. About 2,500 garment export-oriented factories are in operation.¹⁶ 70% of the companies in the industry are garment companies; only 17% are textile and 6% are yarn

¹⁵ Vietnam Customs Office (2016), (Link: http://www.customs.gov.vn/Lists/TinHoatDong/ViewDetails.aspx?ID=23337&Category=Th%E1%BB%91ng%20k%C3%A1i%20H%E1%BA%A3i%20quản).

¹⁶ Link: https://www.betterwork.com/global/?cat=35.
producers. Among the garment companies, 70% are producing on Cut-Make-Trim (CMT) process while those with FOB (Freight on Board) production account for only 20%.

2.5 million workers are employed by Vietnamese textile and garment companies and 2 million are employed in supporting industries (logistics, packaging, transportation). The garment workforce is dominated by women, with 81.6% female and 18.4% male. The labour force is also young, with 75% of workers under 30 years old. The garment labour force is also dominated by migrants from the rural areas with 83.7% of workers having grown up in the rural areas (BWV Baseline Survey, 2012).

4. CONCEPT AND DEFINITION OF A LIVING WAGE

An important part of the methodology is the idea that living costs vary within the same country. So the methodology does not come up with a single estimate for the whole country, especially for a country as varied as Vietnam. The study area for this report is Ho Chi Minh City with focus on the garment sector.

The living wage is calculated on the basis of what is necessary for a basic and decent living in a specific setting. Therefore, even though the living wage benchmark has been estimated for permanent wage workers hired by the garment factories, it is applicable to any worker living in Ho Chi Minh City.

This study uses the following definition of a living wage that was agreed upon by the Global Living Wage Coalition (which consists of seven standard setting organisations in partnership with ISEAL and Richard Anker and Martha Anker):

> Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events

So it is no longer acceptable to argue on the grounds of absence of a reliable methodology and concrete definition as a reason for companies not to pay a living wage. The Anker methodology used in this report is widely accepted and has been used in more than 20 developing countries.

However, paying a living wage may require a period of time before workers are able to increase performance and changes across the value chain are undertaken in order to redistribute revenues between its main actors.

5. HOW A LIVING WAGE IS ESTIMATED

The methodology used in this report is based on the following principles: transparency in the process of calculating costs; normative basis for diet and housing standards (both international and national); mix of fieldwork and secondary data in order to make it more practical; and estimates of all relevant forms of worker pay.

Several steps – presented in the upcoming parts of this report – are required in order to come up with an accurate and reliable living wage estimate. The basic costs to be estimated include a nutritious low-cost diet, basic acceptable housing, and other expenses, here labeled as non-food non-housing costs (NFNH). It should be noted that we are not speaking of individual workers, but of families, which are the basic unit in this study. Therefore, an average family size needs to be estimated, and for that we rely on secondary household data. The same applies to the number of adult workers in a family, as more often than not there is more than one person providing for the livelihood of the other family members. Furthermore, a margin for sustainability and unforeseen events is also taken into account. Lastly, the sum of all these costs leads to a net living wage, to which statutory payroll deductions and taxes are added in order to reach a gross living wage. These steps are shown in figures 5.1, 5.2, and 5.3 below.

**Figure 5.1: Components of a basic but decent life for a family**

<table>
<thead>
<tr>
<th>COST OF FOOD</th>
<th>COST OF BASIC BUT DECENT LIFE FOR REFERENCE SIZE FAMILY</th>
<th>COST OF OTHER ESSENTIAL NEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST OF HOUSING</td>
<td></td>
<td>SMALL MARGIN FOR UNFORESEEN EVENTS</td>
</tr>
</tbody>
</table>

**Figure 5.2: From cost of basic but decent life to net living wage**

\[
\text{NET LIVING WAGE} = \frac{\text{COST OF BASIC BUT DECENT LIFE FOR A FAMILY}}{\text{NUMBER OF WORKERS PER FAMILY}}
\]
Figure 5.3: From net living wage to gross living wage

$$\text{GROSS LIVING WAGE} = \text{PAYROLL DEDUCTIONS AND TAXES} + \text{NET LIVING WAGE}$$

Source: Anker and Anker (2017).

The estimates used in this report include not only food costs, but also housing costs, both calculated using data collected during field research, and other important costs drawn from government household surveys such as VHLSS (Vietnam Household Living Standard Survey), Population and Housing Census, Housing Survey, and the Labour Force Survey (LFS). The latest VHLSS survey was made available for 2014, the latest of the Population and Housing Census was in 2009, the last Housing Survey was 2012, and the latest LFS was in 2014. All of these surveys were conducted by the Vietnamese General Statistics Office (GSO).

Calculations of the share of NFNH costs relied on secondary data in the first instance. Education, health and transport expenditures were subject to ‘postchecks’ – using data collected during the field research – to assure the meaningfulness of the secondary data. Statutory payroll deductions were added in order to arrive at a gross living wage estimate (Anker and Anker, 2017).

The gross living wage and the prevailing wage, which is actually earned by workers, are reference numbers which should be viewed in context. The process of assuring a living wage is paid to garment workers living in Ho Chi Minh City is not an immediate one. An understanding of how the value chain is organised and how value added is distributed along the chain, not only to workers but also to intermediaries and all the way up to the final retailers, seems to be the best way to ensure its application.
SECTION II. COST OF A BASIC BUT DECENT LIFE FOR A WORKER AND THEIR FAMILY

6. FOOD COSTS

Food is the most important expense of households in developing countries. It is estimated that households in low income countries spend around 48% of all their spending on food on average (Anker 2011). Therefore estimating food costs is a very important part of estimating a living wage. This section will estimate food costs using a model diet that is nutritious in more than only calories, low in cost for a nutritious diet, consistent with local food preferences and based on local food prices found in a local market survey. The section includes (i) general principles used to develop the model diet, (ii) description of the model diet, and (iii) food prices used to estimate cost of the model diet.

6.1 General principles of model diet

Development of a model diet was guided by the following principles:

- The diet should be nutritious, as set by national and international standards and have sufficient number of calories, proteins, fats, carbohydrates and fruits and vegetables
- Follow local food habits because workers should be able to afford foods that they consider palatable, as food is part of history and culture, and people will not eat foods that are not considered acceptable
- Whenever possible, low-cost food items and brands should be chosen as the main idea is a healthy but basic diet that is affordable. The total food costs, therefore, set a sort of threshold level for these expenditures, below which a wage cannot be considered a living wage
- Consistent with the country’s development level
- When possible, the number of grams of food should be expressed in portions to be easy to understand by laypersons

6.2 Model diet

In order to estimate food costs, several steps were taken based on the Anker methodology. First, in order to obtain a model diet, we started with the diet of the 50th percentile of the household expenditure distribution in urban areas in the 2012 VHLSS, because HCMC is relatively wealthy for urban Vietnam (see Table 1).
The second step was to choose the specific food items for each food group that make up the basic diet of the population of Ho Chi Minh City, for which we benefited from interviews with garment workers and their families in 3 districts of Ho Chi Minh City (Thu Duc, Binh Tan and Cu Chi).

The required number of calories for each person was estimated using the Excel calorie requirements program from Anker and Anker (2017). Average number of calories per person in the reference family was calculated using the following information:

i. The average height of adults as reported by the National Nutrition Institute of Vietnam, of 1.67m for men and 1.53m for women, on average, for urban areas in Vietnam.

ii. The reference family size of 4 people, 2 adults and 2 children, as explained in section 11.

iii. Moderate physical activity level of all family members. This results in an estimated 2348 calories required per person per day.

The model diet was also designed so that it has sufficient nutrition as regards the number of grams of proteins, fats, carbohydrates, and fruits and vegetables. Table 2 below presents total edible grams per day for each person in the family for each food item in the model diet. This means that inedible parts of foods such as skins, seeds, bones, and shells were excluded from total grams. Values for the inedible percentage of each food item were based on data from the USDA (United States Department of Agriculture, 2014) and the Vietnam Food Composition Table published by Vietnam Ministry of Health in 2007. Inedible parts of foods were, of course, included when we collected local food prices through a survey of local markets.

For Ho Chi Minh City, we collected food prices in 3 different districts of Binh Tan, Thu Duc, and Cu Chi. In each district, we visited different types of markets where workers often shop. We found that the food prices in Binh Tan and Thu Duc were generally higher than in Cu Chi but the differences were small. Therefore, we used the average price of each food item from the 3 districts as the food prices for Ho Chi Minh City. After these calculations, our model diet is as follows (Table 2).

Our model diet is consistent with local food preferences. We chose the least expensive acceptable items and brands for each group. Plain rice is used in all meals in Vietnam while sticky rice is used for special occasions, so our model diet has many more grams of plain rice compared to sticky rice. For meat, we included the least expensive varieties, i.e., pork side (very typical in the region) and anabas (local fish with a low price) while beef and chicken, which are more expensive meats, were excluded.

Vegetables play an important part in the local diet. The local people have a wide variety of vegetables in their every day meal including morning glory, mustard green, tomato and winter melon. These are local vegetables that are relatively inexpensive.
Bananas and watermelon are included in the model diet because they have the lowest cost in the fruit group and are the most commonly eaten fruit in Ho Chi Minh City.

For milk, children aged over 1 year old drink UHT milk from boxes of 110ml and 180ml. UHT milk is relatively expensive for workers. Drinking milk is not a habit for adults in Vietnam. Therefore, we assumed one box of 180ml of milk per day for children only.

### Table 6.2: Model Diet for Ho Chi Minh City

<table>
<thead>
<tr>
<th>Food items</th>
<th>Edible grams</th>
<th>Purchased grams</th>
<th>Cost per kg (VND)</th>
<th>Cost (VND)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plain rice</td>
<td>394</td>
<td>394</td>
<td>10,611</td>
<td>4,178</td>
<td></td>
</tr>
<tr>
<td>Sticky rice</td>
<td>22</td>
<td>22</td>
<td>21,250</td>
<td>461</td>
<td></td>
</tr>
<tr>
<td>Noodles</td>
<td>13</td>
<td>13</td>
<td>46,667</td>
<td>607</td>
<td></td>
</tr>
<tr>
<td>Buns</td>
<td>14</td>
<td>14</td>
<td>33,333</td>
<td>477</td>
<td></td>
</tr>
<tr>
<td>Potato</td>
<td>41</td>
<td></td>
<td>23,222</td>
<td>1,271</td>
<td></td>
</tr>
<tr>
<td>Tofu</td>
<td>56</td>
<td>56</td>
<td>17,654</td>
<td>989</td>
<td>1 portion/day</td>
</tr>
<tr>
<td>Peanuts</td>
<td>15</td>
<td>16</td>
<td>56,250</td>
<td>889</td>
<td></td>
</tr>
<tr>
<td>UHT Milk</td>
<td>90</td>
<td>90</td>
<td>26,780</td>
<td>2,410</td>
<td>1 milk box/child/day</td>
</tr>
<tr>
<td>Condensed milk</td>
<td>7</td>
<td>7</td>
<td>54,751</td>
<td>372</td>
<td>To add to coffee or juice</td>
</tr>
<tr>
<td>Eggs</td>
<td>39</td>
<td>44</td>
<td>29,028</td>
<td>1,278</td>
<td>Close to 1 egg/day</td>
</tr>
<tr>
<td>Pork</td>
<td>43</td>
<td>51</td>
<td>78,195</td>
<td>3,956</td>
<td>1 meat or fish meal per day</td>
</tr>
<tr>
<td>Fish</td>
<td>43</td>
<td>80</td>
<td>45,000</td>
<td>3,583</td>
<td></td>
</tr>
<tr>
<td>Morning glory</td>
<td>43</td>
<td>86</td>
<td>9,574</td>
<td>823</td>
<td></td>
</tr>
<tr>
<td>Mustard green</td>
<td>43</td>
<td>54</td>
<td>13,398</td>
<td>720</td>
<td></td>
</tr>
<tr>
<td>Tomato</td>
<td>43</td>
<td>47</td>
<td>16,587</td>
<td>784</td>
<td></td>
</tr>
<tr>
<td>Winter melon</td>
<td>43</td>
<td>57</td>
<td>10,840</td>
<td>621</td>
<td></td>
</tr>
</tbody>
</table>
Living Wage Report for Urban Ho Chi Minh City, Vietnam with focus on garment industry

<table>
<thead>
<tr>
<th>Food Item</th>
<th>Quantity (kg)</th>
<th>Price (VND)</th>
<th>Total Cost (VND)</th>
<th>Additional Cost (VND)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banana</td>
<td>43</td>
<td>67</td>
<td>9,000</td>
<td>605</td>
</tr>
<tr>
<td>Watermelon</td>
<td>43</td>
<td>83</td>
<td>8,962</td>
<td>741</td>
</tr>
<tr>
<td>Oil</td>
<td>25</td>
<td>25</td>
<td>28,611</td>
<td>715</td>
</tr>
<tr>
<td>Sugar</td>
<td>8</td>
<td>8</td>
<td>17,222</td>
<td>138</td>
</tr>
<tr>
<td>Fish sauce</td>
<td>17</td>
<td>17</td>
<td>40,056</td>
<td>681</td>
</tr>
<tr>
<td>Green tea (fresh leaves)</td>
<td>50</td>
<td>50</td>
<td>18,333</td>
<td>917</td>
</tr>
</tbody>
</table>

Total Cost not including Additional Costs: 27,216

Total Cost including Additional Costs: 31,026

1% added for salt, spices, sauces, and condiments
3% added for spoilage and waste
10% added to allow for variety

According to the WHO/FAO (2003), a healthy diet is one with the following distribution of macronutrients: 10-15% of calories from proteins (with this percentage around 11-12% in lower-middle income countries according to Anker and Anker 2017); 55-75% of calories from carbohydrates; and 15-30% of calories from fats. Figure 6.1 presents the distribution of our model diet, which is within the above-mentioned intervals.

Figure 6.1: Distribution of macronutrients in urban model diet (in%)
6.3 Food prices

Food prices (perishable and non-perishable) were collected at different points of distribution during the field work including:

- ‘Spontaneous markets’: small, mobile markets just outside the factory gates where workers shop most often on their way from the factory to their houses.

- Outdoor markets: larger markets for both workers and the local people. Workers typically shop here once or twice per week. These markets include both shops of perishable food and those of non-perishable. The shops for non-perishable products here are alternative to the supermarkets.

- Supermarkets and convenient stores: workers shop here once or twice per week for non-perishable food.

In each of the 3 districts in HCMC, the research team visited 4 types of markets (1 spontaneous market, 1 supermarket, 2 outdoor markets). Food prices, especially the perishable food items, are cheaper in Cu Chi than in the other two districts but the differences were not very large. Thus, for HCMC as a whole, we calculated the average prices for all food items.

Prices were collected in March 2016. March food prices are reasonably representative of food prices throughout the year in HCMC.\(^{19}\)

Table 6.3: Total food cost for a family

<table>
<thead>
<tr>
<th>Food cost per person per day in family of four</th>
<th>Food Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,026 (USD1.40)</td>
<td>124,080</td>
</tr>
<tr>
<td>Monthly food costs for family</td>
<td>3,774,830</td>
</tr>
</tbody>
</table>

7. HOUSING COSTS

Housing is usually the second biggest expense for workers in developing countries (after food). Therefore, it is important that the cost of decent housing for a worker and his/her family is well measured when a living wage is estimated.

In this study, housing costs are estimated by summing up the costs of rent for an acceptable dwelling, utility costs, and possibly minor repairs and maintenance. The Anker methodology differs from the usual methodology to measure living wages and poverty lines where all non-food costs (including housing costs) are estimated together, based on actual household expenditure data from a national household expenditure survey. The approach in the Anker methodology has several advantages:
First, the Anker methodology ensures that sufficient funds are available for workers to be able to afford healthy housing for their family and so avoids the problem facing the typical methodology that replicates the substandard housing found in many developing countries;

Second, this approach avoids the problem that many national statistical offices do not properly measure the cost and value of owner occupied housing and so cause housing expenditure and all non-food costs to be underestimated;

Third, this approach allows for much better estimates of living wages for rural and urban areas as the local housing costs are measured directly which results in better estimates of living costs for rural and urban areas.

The field research leads to the final housing cost estimate and amounts for rent and utilities as well as what percentage of all costs are accounted for by housing for a reference size family. This percentage is then compared to percentage for housing according to the national data.

### 7.1 Standard for basic acceptable local housing

In order to estimate the cost of local housing, we adopted both international and Vietnamese minimum standards for adequate housing (the 2005 Housing Law; Ho Chi Minh City Directive on Minimum Housing Standards). Additionally we also considered the actual housing conditions of Vietnam urban areas and Ho Chi Minh City through the 2012 VHLSS (see Table 7.1).

**Table 7.1: Current housing conditions of urban areas and HCMC and international minimum standards**

<table>
<thead>
<tr>
<th>Housing Conditions</th>
<th>Urban (%)</th>
<th>Ho Chi Minh City (%)</th>
<th>International Minimum Standards (Anker and Anker 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>47.5</td>
<td>46.1</td>
<td>Durable structure (protection against elements)</td>
</tr>
<tr>
<td>Semi-permanent</td>
<td>48.9</td>
<td>51.4</td>
<td>Permanent floor above ground</td>
</tr>
<tr>
<td>Temporary</td>
<td>3.4</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td><strong>Roof</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrugated Iron</td>
<td>52.6</td>
<td>75.2</td>
<td>Permanent roof without leaks.</td>
</tr>
<tr>
<td>Concrete/tiles</td>
<td>46.8</td>
<td>24.4</td>
<td>Extreme temperature not acceptable</td>
</tr>
<tr>
<td>Thatched</td>
<td>0.3</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td><strong>Walls</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cement/stone/brick</td>
<td>91.3</td>
<td>94.7</td>
<td>Permanent wall</td>
</tr>
<tr>
<td>Wooden planks/iron sheets</td>
<td>5.8</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Housing Conditions</td>
<td>Urban (%)</td>
<td>Ho Chi Minh City (%)</td>
<td>International Minimum Standards (Anker and Anker 2017)</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-----------</td>
<td>----------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Lighting</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>99.7</td>
<td>100</td>
<td>At least 1 window per room</td>
</tr>
<tr>
<td>Paraffin/kerosene/Gas</td>
<td>0.1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Running water in house</td>
<td>69.3</td>
<td>N/I</td>
<td>Safe water in or near house</td>
</tr>
<tr>
<td>Public tap</td>
<td>0.8</td>
<td>N/I</td>
<td></td>
</tr>
<tr>
<td>Borehole/tube well</td>
<td>15.4</td>
<td>N/I</td>
<td></td>
</tr>
<tr>
<td>Protected well</td>
<td>7.1</td>
<td>N/I</td>
<td></td>
</tr>
<tr>
<td>Unprotected well</td>
<td>1.0</td>
<td>N/I</td>
<td></td>
</tr>
<tr>
<td><strong>Toilet and sewage disposal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flush toilet</td>
<td>85.8</td>
<td>96.8</td>
<td>Toilet in or near house shared by few families</td>
</tr>
<tr>
<td><strong>Ventilation</strong></td>
<td>N/I</td>
<td>N/I</td>
<td>At least 1 window per room. Minimal indoor air pollution from cooking</td>
</tr>
<tr>
<td><strong>Space</strong></td>
<td>N/I</td>
<td>N/I</td>
<td>Approximately 30m2</td>
</tr>
<tr>
<td>Min. 30m2/household20</td>
<td></td>
<td></td>
<td>Ceiling at least 2 meters</td>
</tr>
</tbody>
</table>

Note: N/I is for not indicated.

Upon comparing the local conditions and the national and international minimum acceptable standards, we decided to apply the following standards for this study:

- Housing should provide physical and structural safety and protection from the cold, heat, humidity, rain, wind, flood and other health threats;

- Walls should be made of brick, cement, or stone;

- Roof should be made of concrete, zinc/iron sheets, or tiles. For HCMC, heat proof sheets are needed.

- Floor should be concrete or tile.

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- For a family of four, a house should have a living room, one bedroom, an indoor bathroom with clean toilet, and a separate kitchen. Total living space should be at least approximately 30m²
- Electricity
- Access to clean water (indoor tap water or protected well)
- Access to garbage disposal
- Adequate lighting
- Adequate ventilation: at least one window for each room and minimal indoor ventilation for cooking
- Neighborhood is safe with minimal garbage

In each of the 3 districts in Ho Chi Minh City, the research team visited 10-15 different apartments/houses either owned or rented by garment workers. The search for houses that meet the above standards was difficult, because the actual housing conditions of garment workers and low-income people in HCMC lag far behind the set standards. Most garment workers and low-income families live in small apartments of 10-16m², usually without windows (see pictures below). The typical design of these apartments is living room, kitchen and toilet included in one room while the bedroom is a garret (see picture below). As Cu Chi is a less industrialized district than Thu Duc and Binh Tan, rental accommodation in Cu Chi is often of a better standard (larger in space, better ventilation).

Typical rented accommodation for workers in HCMC

Typical rented apartment of a family of a garment worker in Binh Tan

While the structure is durable, the fact that the roofs are made of zinc sheets without heat proof with few windows and poor ventilation from cooking makes the house
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extremely hot during the day. Most of the houses visited have access to electricity but in some cases, this access is limited to 2-5 hours/day by the landlord. Many areas in Thu Duc and Cu Chi do not have access to tap water and have to rely on water from wells which, according to the local people, are unsafe for drinking and cooking. They, therefore, have to purchase clean water in plastic bottles for daily use.

The houses owned by the people are in better conditions. The average space ranges from 50m² to over 100m² including the outside area (see pictures below). These houses have one or more windows for each room, with durable structure, and good ventilation. However, the number of garment workers who own their houses appears to be very small compared to the migrant workers who live in rented accommodation.22

![House owned by the local workers in Cu Chi](image)

![Kitchen and toilet in workers’ owned house](image)

The third type of accommodation of garment workers is the dormitory provided by the factory owners or the local authority. The dormitories are provided free of charge or with minimal cost to the workers. However, the current capacity of dormitories in HCMC meets only 9% of total workers’ demands.23 Also, the dormitories are only available for single workers rather than families. Each apartment which is supposed to accommodate 4 workers is 20m² with one garret of 10m². Kitchen and latrine included in the room. The ventilation is good as each room has at least 1 window. However, only 40% of the rooms were filled that we visited. The workers interviewed explained that they prefer to rent accommodation outside of the dormitories for the following reasons: (i) they are married; (ii) they are not allowed to receive guests inside the dormitories; (iii) entrance and exit are closely controlled by the factory guards; and (iv) the dormitories are old and not regularly maintained, leaving their conditions downgraded significantly.

---

22 Around 80% of workers in manufacturing factories in Ho Chi Minh City are migrants from other provinces (VGCL 2016).
While in Cu Chi, the research team was able to find housing that meets our standards among the accommodation of workers. In the other two districts, we could only find them among the accommodation for office clerks and managers. These are often apartments with one big room and a garret with the total living space of around 30m². They have brick walls, tiled floor, zinc roof with heat proof and in good condition. They usually have two windows each, one for the big room and one for the garret. Kitchen and latrine are included. The latrine is often flush toilet. These apartments are still quite hot during the day, especially when the average temperature in HCMC ranges from 30-38 degrees centigrade (86-97 degrees Fahrenheit) but are acceptable for the local people. Electricity is provided all day or at least 5 hours/day. Garbage collection service is provided by the local authority.

Upon consideration of the availability of housing in the region and the high price of houses that meet our acceptable standards relative to workers’ average income, the research team had to make two compromises on the acceptable standards. First, the typical design of rented house we accepted is of one big room with kitchen and latrine included plus one garret (see picture below) which is around half the size of the big room. This dwelling has at least two windows (one for the kitchen/living room and one for the garret) for ventilation.
The garret is normally used as the main bedroom. The total space of the apartment, therefore, was counted as the total space of the big room and the garret. If the total space of the room and garret is approximately 28-30m², the research team accepted it as meeting the minimum standard in space.

Second, access to safe water is a minimum housing standard. However, a large area of Cu Chi and a few neighborhoods in Thu Duc and Binh Tan districts do not have access to tap water and have to rely on water from wells, which they believe is unsafe for drinking and cooking. The well water is usually pumped by the landlord and provided directly to each apartment (water available indoors). However, upon consideration of the general conditions in these areas, if the houses meet other standards but have to rely on well water, the research team still accepted them as meeting our minimum housing standards.
7.2 Rent for basic acceptable housing

As explained earlier, the research team had difficulties in locating houses that meet the acceptable standards in Ho Chi Minh City. In total, we visited 32 houses in the 3 study districts. The table below lists not only the typical houses of workers we visited that did not meet our minimum standards but also some houses that meet our standards loosely interpreted. In Cu Chi, the apartments for rent do not have access to tap water. Tenants are provided with water from wells provided indoor by the landlord and tenants purchase drinking water in bottles. In Cu Chi, it costs around VND1,200,000 (USD 54.5) per month for a house that meets our acceptable standards except for availability of running water.

In Binh Tan and Thu Duc, we found acceptable apartments without tap water at VND1,800,000 per month, and VND 2,000,000 per month for an acceptable apartment with tap water.

We decided to use the average of rents of acceptable apartments without tap water from the three districts, which is VND 1,500,000 per month (around VND 1,200,000 in Cu Chi and VND 1,800,000 in other two districts). We included the cost of purchasing clean water to utility costs.

Table 7.2: Cost of renting houses in Ho Chi Minh City, Vietnam (March 2016)

<table>
<thead>
<tr>
<th>Acceptable standard?</th>
<th>Rent in VND (monthly)</th>
<th>Size</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thu Duc District</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
<td>20m²</td>
<td>1 room. Only 1 window. Old walls. Pit toilet inside. Smells and hot.</td>
</tr>
<tr>
<td>No</td>
<td>1.000.000</td>
<td>17m²</td>
<td>1 room (12m²) and 1 garret (5m²). Only 1 window.</td>
</tr>
<tr>
<td>District</td>
<td>No</td>
<td>Price</td>
<td>Size</td>
</tr>
<tr>
<td>-----------------</td>
<td>----</td>
<td>--------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>1.100.000</td>
<td>17m²</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>1.200.000</td>
<td>21m²</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>1.800.000</td>
<td>28m²</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>2.000.000</td>
<td>31m²</td>
</tr>
<tr>
<td>Binh Tan District</td>
<td>No</td>
<td>1.500.000</td>
<td>19m²</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>1.800.000</td>
<td>28m²</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>2.050.000</td>
<td>24m²</td>
</tr>
<tr>
<td>Cu Chi District</td>
<td>No</td>
<td>Dormitory free for single female workers</td>
<td>27m²</td>
</tr>
</tbody>
</table>
No | 650.000 | 24m2 | 1 room (16m2) and 1 garret (8m2). Roof leaked, walls wet. Electricity only from 5.30pm-9pm. Water from wells. Toilet and kitchen inside but dirty.

No | 700.000 | 26m2 | 1 room (18m2) and 1 garret (8m2). Electricity from 5.30pm-9.00pm. Old and dirty toilet inside. Walls and roof in poor conditions. Water from wells

No | 800.000 | 27m2 | 1 room (19m2) and 1 garret (8m2). A front yard of 10m2 for parking. Water from wells. Drinking water purchased in bottles (same for the whole area). Kitchen, toilet and bathroom inside. 2 windows. Nice conditions but offered at bargain price due to close connection with the land lady.

Yes | 1.200.000 | 32m2 | 1 room (22m2) and 1 garret (10m2). A front yard of 4m2 for parking. Water pumped from wells and provided indoor. Drinking water purchased in bottles. Kitchen, toilet, bathroom indoor. 3 windows (2 for the main room, 1 for garret). Good condition.

Notes: LR indicates living room. BR indicates bedroom. K indicates kitchen.

### 7.3 Utilities and other housing costs

During focus group discussions with workers and visits to their houses, we asked them about the utility costs that their family had to cover. In total, 26 workers and their families from Binh Tan, Thu Duc and Cu Chi were interviewed.

The people who live in rented houses have to pay higher prices for electricity and water. For instance, while the electricity tariff for local people is VND 1,500/kw on average, that for tenants is twice as much or even higher (ranging from VND3,000-3,500/kw). In case of piped water, while the local people who own their home are charged VND 6,000/m³, this price doubles for tenants. These differences cause workers who live in rented apartments to pay an average of around 30% more for utilities than people who own their houses\(^{24}\) (see table below).

---

\(^{24}\) Interviews with workers who rent houses and those who own their houses (March 2016)
Table 7.3: Average cost of utilities and other housing costs of workers interviewed, Ho Chi Minh City 2016

<table>
<thead>
<tr>
<th>Utilities and other housing costs (for a family of 4)</th>
<th>Private rental apartment (VND)</th>
<th>Own house (VND)</th>
<th>Dormitory (VND)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>250,000/month</td>
<td>200,000/month</td>
<td>50,000/month</td>
</tr>
<tr>
<td>Piped water (if available)</td>
<td>180,000/month</td>
<td>100,000/month</td>
<td>100,000/month</td>
</tr>
<tr>
<td>In case piped water not available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well water</td>
<td>80,000/month</td>
<td>Free</td>
<td>Free</td>
</tr>
<tr>
<td>Bottled water</td>
<td>46,800/month</td>
<td>46,800/month</td>
<td>46,800/month</td>
</tr>
<tr>
<td>Garbage collection</td>
<td>20,000/month</td>
<td>20,000/month</td>
<td>20,000/month</td>
</tr>
<tr>
<td>Gas for cooking</td>
<td>150,000/month</td>
<td>150,000/month</td>
<td>150,000/month</td>
</tr>
<tr>
<td>Monthly utility cost for a family of 4 in case piped water not available</td>
<td>546,800/month</td>
<td>416,800/month</td>
<td>266,800/month</td>
</tr>
</tbody>
</table>

Source: In-depth interviews with 26 workers and their family, March 2016.

As the majority of workers in the garment industry are migrants, we used the utility cost for a migrant family living in a private rental apartment, which is VND 546,800/month. Then, the total monthly housing cost for a family of 4 is VND 2,046,800/month.
Table 7.4: Monthly housing costs

<table>
<thead>
<tr>
<th></th>
<th>Values of Housing Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Utility costs</td>
<td>546,800</td>
</tr>
<tr>
<td>Monthly housing costs</td>
<td>2,046,800</td>
</tr>
</tbody>
</table>

Now, if we compare the housing cost estimated after our field research with the housing expenditure from the secondary survey data, a very large difference is found. According to the 2012 VHLSS, the total housing and cooking fuel expenditures account for 9% of household expenditures at median of the urban household expenditure distribution (see Table 8.1). Using the ratio of housing over food expenditure (adjusted) of 0.28 from VHLSS, and cost of our model diet, housing expenditure would be a little more than VND 1,00,000 which is only around half of our estimate of total housing costs. The reason for this difference is that VHLSS is based on the actual expenditure of households while in our study, we assume that workers earning a living wage should be able to afford acceptable housing conditions. As explained earlier, the fieldwork research found that there was a significant disparity both in terms of housing conditions and costs between the actual houses workers are living in and the houses that meet our basic standards. Our estimate of housing costs, therefore, is significantly higher than the data from the national survey.

8. NON-FOOD AND NON-HOUSING COSTS

In most countries, poverty lines are calculated by estimating food costs and then adding a non-food value, the latter accounting for the rest of the basic revenue a family needs in order not to be considered poor. The Anker methodology is different: it not only estimates food and housing costs using normative standards, but it also estimates non-food and non-housing costs.

In order to calculate NFNH costs, secondary data are taken from the VHLSS 2012 as our point of departure. The median of the urban household expenditure distribution is selected as the reference in this study, because Ho Chi Minh City is more developed than other urban areas. For this part of the income distribution, NFNH expenditures are 38.64% of all household expenditure according to the 2014 VHLSS. We then made a few adjustments to more accurately estimate NFNH expenses for the living wage.

First, tobacco expenditure was excluded from NFNH expenditure (1.17%), because it is not considered necessary for achieving a decent standard of living.

Second, meals away expenditure (23.37%) includes both the cost for food in these meals as well as the costs for non-food items such as services, rent, and restaurant owners’ profit. According to previous inquiries, the typical percentage of the cost of meals away in urban areas of Vietnam is around 70% (Anker and Anker 2017). This ratio varies from
country to country. For instance, this percentage in Costa Rica and Dominican Republic is around 50% while it is around 30% in the USA, because wages, overheads and profits are higher in more developed countries as a share of total price of meals away. Therefore, we keep 70% of the total ‘meals away’ expenditure in the food expenditure group and shift 30% to the NFNH.

Third, cooking fuel expenditure (2.94%), which is included in the food expenditure group in Vietnam statistics is moved to the housing expenditure group, because we count cooking fuel in the housing cost and cooking fuel is not included in our model diet.

Table 8.1: Household expenditure patterns from VHLSS 2014 before and after necessary adjustments, median urban household to represent Ho Chi Minh City, Vietnam

<table>
<thead>
<tr>
<th>Major expenditure group</th>
<th>% expenditure according to VHLSS</th>
<th>Adjustments</th>
<th>% after adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Food</td>
<td>55.30</td>
<td></td>
<td>45.34</td>
</tr>
<tr>
<td>Food and non-alcoholic beverages</td>
<td>28.98</td>
<td></td>
<td>28.98</td>
</tr>
<tr>
<td>Meals away</td>
<td>23.37</td>
<td>Subtracted 7.01% (as assumed 30% of cost of meals away is for services, overheads, and profit). Added this 7.01% to NFNH.</td>
<td>16.36</td>
</tr>
<tr>
<td>Cooking fuel</td>
<td>2.94</td>
<td>Moved to housing cost</td>
<td>0</td>
</tr>
<tr>
<td>Housing</td>
<td>6.06</td>
<td>Added 2.94% from cooking fuel included in food group</td>
<td>9.00</td>
</tr>
<tr>
<td>Alcohol</td>
<td>0.99</td>
<td></td>
<td>0.99</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1.17</td>
<td>Excluded, not necessary</td>
<td>0</td>
</tr>
<tr>
<td>Meals away (non food)</td>
<td>0</td>
<td></td>
<td>7.01</td>
</tr>
<tr>
<td>Clothing</td>
<td>3.90</td>
<td></td>
<td>3.90</td>
</tr>
<tr>
<td>Household content</td>
<td>2.09</td>
<td></td>
<td>2.09</td>
</tr>
<tr>
<td>Education</td>
<td>5.38</td>
<td></td>
<td>5.38</td>
</tr>
<tr>
<td>Health</td>
<td>4.44</td>
<td></td>
<td>4.44</td>
</tr>
</tbody>
</table>
After all these calculations, the results were 44.49% for NFNH and 45.34% for food for Ho Chi Minh City. Thus, the NFNH to Food (F) ratio used is 0.981.

The monthly preliminary NFNH cost is **VND 3,703,108 per month** calculated based on the formula below used in the Anker methodology:

\[
NFNH = NFNH \text{ to Food ratio} \times \text{Cost of model diet for a family of four per month}
\]

9. POST CHECKS OF NON-FOOD AND NON-HOUSING COSTS

The preliminary estimate of NFNH costs for a living wage is subject in the Anker methodology to post checks and possible adjustments to make sure that sufficient funds are available for health care, education and transport, because health care and education are considered human rights around the world and transport is an important expense. Post checks are needed because actual expenditures for these indicated by secondary survey data may not be sufficient for decency.

These post checks compare the amount implicitly included in the preliminary estimates of NFNH costs allocated for health care, education and transport to rapid assessment estimates from new fieldwork of typical costs for acceptable education, health care, and transport.

The next step was to check the secondary household expenditure costs for transport, health and education against the needed expenditure for decency from our new fieldwork. According to the secondary household expenditure data, theses expenditures were:

- Transport (7.53% of total expenditures, VND 626,562)
- Health care (4.44% of total expenditures, VND 369,562)
Education (5.38% of total expenditures, VND 447,802)

The VND values above were estimated by multiplying our preliminary NFNH cost estimate by the percentage of NFNH for each of these costs (transport, health, and education).

9.1 Health care post check

There are three types of healthcare providers in the urban areas of Vietnam.

i. Public hospitals. Public hospitals offer two types of services including services covered by health insurance and self-paid services in which patients may enjoy better conditions but have to cover all the costs.

ii. Private hospitals. Private hospitals offer high-quality standards and high prices, mostly for the better-income people.

iii. Small private clinics. These clinics are often set up and run by one doctor or a group of doctors and offer services outside working hours.

According to a 2015 Oxfam survey, only 44% of migrant workers are covered by health insurance. Among migrants, 71.2% choose to purchase medicine on their own from pharmacies rather than visiting the public health care providers they are registered with (Oxfam Vietnam 2015). The fact that public hospitals only open during normal working hours and the distance between where the workers live and the hospitals they are registered with are the biggest reasons for workers not to turn to public hospitals and pharmacies.

There is no data about the number of episodes of illness per year, so, we use the average number of episodes of illness as 3.5/person/year or 14 illness episodes per year for a family of 4 as suggested by Anker and Anker (2017). According to the 2012 VHLSS, the percentage of people in Quintile 2 of the household income distribution seeking treatment (inpatient and outpatient) is 38.3%; 34.8% sought outpatient treatment and 7.7% sought in patient treatment. Among the people in Quintile 2 who used outpatient services, only 16.8% were supported by health insurance. While 91.22% of inpatients stayed in public hospitals, 52.6% of outpatients visited public hospitals and 33.6% visited private healthcare providers in urban Vietnam.

Given the limited coverage of health insurance, especially among the migrant workers who account for the majority of workers in the garment industry in HCMC, and the obstacles to workers’ access to public hospitals, it is reasonable to include some funds in living wage for visits to private health care providers.
Regarding the types of illness, the most common are diarrhea, respiratory diseases, and infectious diseases.\textsuperscript{25}

According to workers we spoke to in the 3 districts of HCMC, consultation for a visit to a private clinic typically costs VND 45,000/visit. Common medicines for common respiratory diseases such as sore throat, flu and diarrhea (mostly antibiotics) cost around VND 50,000 from public providers and around VND 80,000 from private providers. Laboratory tests were often used in case of respiratory infection (especially for children), which costs around VND 350,000/test. We assumed that 1 lab test for every 4 visits was required.

The health care costs for a family of 4 people are indicated in following table.

\textit{Table 9.1: Estimating health care costs, Ho Chi Minh City}

<table>
<thead>
<tr>
<th>Type of provider</th>
<th>Cost per visit for typical illness (1)</th>
<th>Number of visits per year per person (2)</th>
<th>Total cost per year for family (3) = (1)×(2)×4 persons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public provider</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultation fee/co-pay</td>
<td>No cost</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Medicine co-pay</td>
<td>No cost</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Medicine cost if purchased privately</td>
<td>50,000</td>
<td>1 (assume medicine out of health insurance list half the time)</td>
<td>200,000</td>
</tr>
<tr>
<td>Lab test cost (1 lab test for every 4 visits)</td>
<td>No cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Private provider</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultation fee</td>
<td>45,000</td>
<td>1.5</td>
<td>270,000</td>
</tr>
<tr>
<td>Medicine</td>
<td>80,000</td>
<td>1.5</td>
<td>480,000</td>
</tr>
<tr>
<td>Lab test (1 lab test for every 4 visits)</td>
<td>350,000</td>
<td>0.375</td>
<td>525,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>1,475,000 (VND 122,916 per month)</td>
</tr>
</tbody>
</table>

Source: In-depth interviews with workers and their families in HCMC, March 2016 for costs per visit.

Notes: Assumed 2 visits per person per year to public hospitals and 1.5 visits to private providers.

\textsuperscript{25} \url{http://khoahoc.tv/nhung-benh-nguy-hiem-nguoi-viet-thuong-gap-phai-49392}. 

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The total health care costs add up to VND 1,475,000 per year for a family of 4 people or VND 122,916 per month. We assumed that serious illnesses and injuries were treated in public hospitals with the coverage of health insurance and 2 of 3.5 visits during the year were to public hospitals. This estimate is less than the estimate of health care costs of VND 369,562 included in the preliminary NFNH estimate, so it was not necessary to adjust NFNH for health care costs.

9.2 Education post check

The education system of Vietnam has 5 years of primary school (beginning at age 6), 4 years of lower secondary school, and 3 years of upper secondary school. It is also compulsory for children to attend at least 1 year of pre-primary school (at age of 5). According to the 2012 VHLSS, almost all children attend public schools. The percentage of children attending public schools at all levels is 97.2% for Quintile 2 of the income distribution and as many as 92.4% of children attend primary school at the age of 6. The attendance rates for lower secondary and upper secondary schools remain high at 92% and 71.9% respectively.

Despite the fact that public primary schools are free by law, interviews with workers and their families showed that they are still expected to contribute certain amounts for school funds, purchase of uniforms, textbooks, lunches, etc. (see Table below). The school terms for primary, lower secondary and upper secondary last for 9 months per year while the pre-primary children are expected to go to class the whole year.

The researchers interviewed 25 families in the 3 selected districts in Ho Chi Minh City. The interviewed parents included both migrants and local people. The research team also checked the education costs reported from local teachers, educators and parents in other districts of Ho Chi Minh City such as Hoc Mon, Binh Thanh, and District 12 to make sure that there were no major differences among the districts.

The interviewed families also reported that they had to pay an extra amount of money as gifts for the teachers at pre-primary schools and for extra classes for children at primary levels and higher. Although these expenses are quite common among the informants and the expenditure on extra classes is also included in the Vietnam household expenditure statistics, we did not include them in our estimate of education cost because: (i) gifts for pre-primary teachers are similar to bribes; and (ii) extra classes are not compulsory and are discouraged by the Ministry of Education and Training (MOET).

According to the HCMC Economic and Processing Zone Administration (HEPZA), 70% of workers in industrial zones in the city are migrants from other provinces and among them, 63.6% are women. According to the calculation of HCMC Institute of
Development (HID), there are 696 public kindergartens in the city, providing day-care for 40.2% of children under 6 years old, which means that there are 64,064 children within pre-primary ages who do not have access to public kindergartens. This shortage is particularly severe in the industrial zones. Also, the children of migrant workers who do not have permanent household registration in the city are not able to compete with local inhabitants for education in the public schools.

Interviews with migrant garment workers showed that it was difficult for those with young children to bring a family member from the hometown, and care for them, due to the high costs of living in HCMC. Migrant workers either send their young children to low-cost private kindergartens or send their young children to live with their parents in the home villages. The female workers who cannot use one of the above two options have to quit their jobs to take care of their children.

For this study, we assume that the living wage should afford for the parents and children to live together in the city and the female workers should be able to find day-care services for their children without quitting their jobs. Therefore, we assume that the living wage should be able to allow for pre-primary education since the age of 1 so that the workers can return to work. However, we deducted the cost for meals of pre-primary as we already assumed that the food cost component in the living wage includes the food for all meals of all family members.

**Table 9.2: Typical annual household costs per student in school by level, Ho Chi Minh City**

<table>
<thead>
<tr>
<th>Type of expense</th>
<th>Pre-primary</th>
<th>Primary</th>
<th>Lower secondary</th>
<th>Upper secondary</th>
<th>Whether classified as education expenditure in national statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>School fees</td>
<td>7,340,400</td>
<td>1,350,000</td>
<td>1,350,000</td>
<td>1,530,000</td>
<td>Yes</td>
</tr>
<tr>
<td>School funds</td>
<td>300,000</td>
<td>396,000</td>
<td>180,000</td>
<td>180,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Compulsory Health insurance</td>
<td>434,700</td>
<td>434,700</td>
<td>434,700</td>
<td>434,700</td>
<td>No</td>
</tr>
</tbody>
</table>

---


27 Ibid.

<table>
<thead>
<tr>
<th>Item</th>
<th>Required</th>
<th>Cost per Year</th>
<th>Cost per Level</th>
<th>Cost x Years</th>
<th>Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniforms</td>
<td>Not</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Learning materials (e.g., text books)</td>
<td>Not</td>
<td>200,000</td>
<td>200,000</td>
<td>300,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Meals &amp; snacks (excluded because food costs at home &amp; not included in education expenditure classification)</td>
<td>No cost</td>
<td>No cost</td>
<td>No cost</td>
<td>No cost</td>
<td>No</td>
</tr>
<tr>
<td>Gift to teachers (excluded because similar to bribe)</td>
<td>Not</td>
<td>1,200,000</td>
<td>Not common practice</td>
<td>Not common practice</td>
<td>No</td>
</tr>
<tr>
<td>Extra classes</td>
<td>Not</td>
<td>10,800,000</td>
<td>1,800,000</td>
<td>5,400,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Total cost per year</td>
<td></td>
<td>8,074,000</td>
<td>2,380,700</td>
<td>63,282,000</td>
<td></td>
</tr>
<tr>
<td>Number of years in each level</td>
<td></td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Total annual cost x years a</td>
<td></td>
<td>38,202,000</td>
<td>10,730,500</td>
<td>63,282,000</td>
<td></td>
</tr>
<tr>
<td>Average cost per child per year (assuming parents responsible for children for 18 years)</td>
<td></td>
<td></td>
<td></td>
<td>3,515,667</td>
<td></td>
</tr>
</tbody>
</table>

Notes: *Meals and snacks are excluded in the calculation of total education costs, because these reduce food costs at home. Also, they are not included in education group in Vietnam household expenditure statistics. Gifts to teachers are not included in calculation of total education costs, because they are frowned on by the government. Health insurance is not included in this calculation, because it is not included in the education group in Vietnam household expenditure statistics. Extra classes are not considered essential.

Based on the above cost figures, we estimated that school expenses for a family with 2 children (our reference family size) is around VND 7,031,000 per year or VND 586,000.

---

29 Students pay 70% of health insurance and the state pays 30%.
per month. This amount is considerably higher than the education cost of VND 447,802 implicitly included in the preliminary estimate of NFNH costs. Finding such a difference is not surprising partly due to the migrants’ difficulty in accessing the public kindergartens in HCMC. We assume the workers (many of whom are migrants) have to pay for expensive private nursery school. Therefore, we added VND 140,000 per month for education to the preliminary estimate of NFNH costs to ensure that sufficient funds are available to workers to cover educational expenses from nursery school to upper secondary school for their children in HCMC.

## 9.3 Transport post check

Almost all households in urban Vietnam own a motorbike. According to the 2012 VHLSS, 89% of urban households own a motorbike and they have 1.65 motorbikes in average. It is clear that the norm in urban Vietnam is to own a motorbike and use it to commute to work, bring children to school, and shop. Therefore, this section estimates the cost of owning and operating a common relatively low cost motorbike in HCMC as a post check on our preliminary NFNH estimate.

Among the 26 workers we interviewed, only 2 had no motorbike (but bicycles instead). The other 24 workers each owned a motorbike and their spouse, if they had one, also owned a motorbike. We asked them the costs of owning a motorbike and checked with 3 motorbike shops in the city:

- Purchase price. We used the price of a used motorbike that we assumed lasts for 10 years more after purchase.

- The reference model is Honda Wave Alpha 100cc, common among the lower-income families in HCMC.

- Checkup and oil change. We assumed that a motor bike needs an oil change three times per year.

### Table 9.3: Estimated cost of owning and operating a common low-cost motorbike in Ho Chi Minh City

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost per event (VND)</th>
<th>Frequency</th>
<th>Estimated cost per month (VND/month)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>10,000,000</td>
<td>Once</td>
<td>83,333</td>
<td>Average price, used but of acceptable quality motorbike</td>
</tr>
<tr>
<td>Registration</td>
<td>750,000</td>
<td>Once</td>
<td>6,250</td>
<td></td>
</tr>
</tbody>
</table>
Living Wage Report for Urban Ho Chi Minh City, Vietnam with focus on garment industry

<table>
<thead>
<tr>
<th>fees and taxes on purchase</th>
<th>VND 187,583/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helmet</td>
<td>100,000</td>
</tr>
<tr>
<td>Annual insurance</td>
<td>66,000</td>
</tr>
<tr>
<td>Checkup and oil change</td>
<td>200,000</td>
</tr>
<tr>
<td>Petrol</td>
<td>15,000/liter</td>
</tr>
<tr>
<td>Tires, brakes, chain, springs</td>
<td>500,000</td>
</tr>
</tbody>
</table>

Source: In-depth interviews with workers and their families in HCMC, March 2016.

Most workers in Ho Chi Minh City travel by motorbike to work, to markets, hospitals and to bring children to school. In some cases, a small number of workers who live in factory dormitories could walk to work but still use a motorbike to shop and travel to other destinations. The migrant workers also travel back to their hometown once or twice per year (if their hometown is far away) and monthly (if their hometown is not too distant). On these trips, they either use public transport (buses and trains) or their own motorbikes depending on the distance.

The workers we spoke to were asked the distance from where they live to work, the distance from where they live to markets, children’s schools, health care facilities, their hometown and any other destinations they frequently travel to. Based on the focus group discussions with the workers, the following assumptions were used about what could be considered to be a reasonable number of trips to the most common destinations. The assumptions were:

- The living wage should allow each adult to own 1 motorbike. Then the total number of motorbikes for our reference family is 2.
- Workers commute 26 days/month to work (assuming that they do not have to work overtime or on Sundays).
- Once every 2 days one worker in the family goes to markets. Most workers do not own refrigerators and with the hot climate of Ho Chi Minh City, they have to

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purchase food every 2 days at least. Only 1 motorbike is used for shopping (normally the wife does the shopping).

- Older children walk to school which is nearby or the workers drop their children at school on the way to work so this activity does not result in extra travel.

- As the average number of illness episodes is 3.5/person/year, we assume that the family will travel 1.2 times/month/family to health care facilities with 1 motorbike used.

- The number of times traveling for other purposes, including to supermarkets and for recreation, is 1 time/month and 2 motorbikes used/time for a family of 4.

- In Ho Chi Minh City, workers generally live quite close to where they work (around 5km). There are a good variety of markets and supermarkets near where the workers live (2km). Healthcare facilities and schools are also located close to the workers’ residence (5km).

- The workers who migrate to HCMC from provinces in the central and northern regions tend to visit their hometown once or twice per year while the workers who live in neighboring provinces of HCMC visit their families every month. As the majority of garment workers in HCMC are migrant workers, we assume that the living wage allows them to visit their hometown once per year. Each round trip by public transport costs an average estimate of 500,000 VND/person.

### Table 9.4: Cost of transport for a typical family in HCMC

<table>
<thead>
<tr>
<th>Reason for travel</th>
<th>Number of motorbikes used/time</th>
<th>Number of trips per month per adult</th>
<th>Number of trips per month per child</th>
<th>Cost per round trip (Estim. number of km x VND 15,000/50km x 30)</th>
<th>Total cost per month for family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commute to work</td>
<td>2</td>
<td>26</td>
<td>0</td>
<td>3,000</td>
<td>156,000</td>
</tr>
<tr>
<td>Shopping and other errands</td>
<td>1</td>
<td>15</td>
<td>0</td>
<td>1,200</td>
<td>18,000</td>
</tr>
<tr>
<td>Visits to health facility</td>
<td>1</td>
<td>0.6</td>
<td>0.6</td>
<td>3,000</td>
<td>7,200</td>
</tr>
<tr>
<td>Visits to supermarkets and for</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>1,200</td>
<td>2,240</td>
</tr>
</tbody>
</table>

30 The average efficiency of a motorbike on urban roads in Vietnam is 1 liter of petrol = 50km.
### Living Wage Report for Urban Ho Chi Minh City, Vietnam with focus on garment industry

<table>
<thead>
<tr>
<th>Reason for travel</th>
<th>Number of motorbikes used/time</th>
<th>Number of trips per month per adult</th>
<th>Number of trips per month per child</th>
<th>Cost per round trip (Estim. number of km x VND 15,000/50km30)</th>
<th>Total cost per month for family</th>
</tr>
</thead>
<tbody>
<tr>
<td>recreation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Monthly cost of petrol for family transport</strong></td>
<td></td>
<td></td>
<td></td>
<td>183,600</td>
<td></td>
</tr>
<tr>
<td>Visits to family living elsewhere</td>
<td>Public transport</td>
<td>0.17 (1 per year per adult)</td>
<td>0.17 (1 per year per child)</td>
<td>41,666</td>
<td>166,667</td>
</tr>
<tr>
<td><strong>Monthly cost of owning and running a motorbike (petrol excluded) x 2 motorbikes/family</strong></td>
<td></td>
<td></td>
<td></td>
<td>375,167</td>
<td></td>
</tr>
<tr>
<td><strong>Total monthly cost of transport for family</strong></td>
<td></td>
<td></td>
<td></td>
<td>725,478</td>
<td></td>
</tr>
</tbody>
</table>

For the migrant workers, whether they are living with their immediate family in Ho Chi Minh City or not, tend to visit their hometown at least once per year (for Tet holidays). The average cost of a return ticket to the migrant’s hometown (based on interviews with 20 migrant workers and their families) is VND 500,000/person/round trip by public transport.

Then the transport cost of a reference family is VND 725,478/month. This amount is higher than the preliminary estimate of transport of VND 626,757/month in preliminary NFNH costs. This is because the transport cost we estimated for this study covers the cost of owning and using 2 motorbikes per family as well as the public transport cost for the worker and their family to visit their hometown every year. Therefore, we adjust the transport cost by adding VND 100,000/month to the preliminary NFNH cost.

After all the post checks, the adjusted NFNH cost is **VND 3,943,108/month**.
Table 9.5: Adjustments to the preliminary NFNH estimate based on post checks

<table>
<thead>
<tr>
<th></th>
<th>Amount in preliminary estimate in NFNH</th>
<th>Rapid assessment estimate</th>
<th>Post check adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education cost</td>
<td>447,802</td>
<td>586,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Health care cost</td>
<td>369,562</td>
<td>122,916</td>
<td>0</td>
</tr>
<tr>
<td>Transport cost</td>
<td>626,757</td>
<td>725,438</td>
<td>100,000</td>
</tr>
<tr>
<td>Total NFNH cost</td>
<td>3,703,108</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total adjusted NFNH costs</td>
<td>3,943,108</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. PROVISION FOR UNEXPECTED EVENTS TO ENSURE SUSTAINABILITY

As Anker and Anker (2017) point out, a marginal amount should be added to the living costs to allow for unexpected events. This is important as the living wage workers should not fall into poverty due to short-term economic and social circumstances. Part of the scholarly literature on the subject adopts a value of 5% which is added to total costs, i.e., to total food, housing and NFNH expenditures. The living wage methodology being applied here works with a standard percentage of 5%. We decided to use 5% because the methodology is fairly comprehensive in the goods and services covered as well as in application of decency of standards. In Vietnam, although the Vietnamese workers’ core labour rights (sick leave, maternity leave, unemployment insurance) are granted by the law, enforcement is weak, resulting in various violations (including employers’ evasion of social security contributions).

Table 10.1: Monthly total living costs in VND

<table>
<thead>
<tr>
<th>Type of expenditure</th>
<th>Living Costs (VND)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food costs</td>
<td>3,774,830</td>
</tr>
<tr>
<td>Housing costs</td>
<td>2,046,800</td>
</tr>
<tr>
<td>NFNH costs</td>
<td>3,943,108</td>
</tr>
<tr>
<td>Unexpected events (5%)</td>
<td>488,237</td>
</tr>
<tr>
<td><strong>Total living costs</strong></td>
<td><strong>10,252,975</strong></td>
</tr>
</tbody>
</table>
SECTION III. LIVING WAGE FOR WORKERS

11. FAMILY SIZE NEEDING TO BE SUPPORTED BY LIVING WAGE

The estimate for the family size used in this report was based on the VHLSS survey data for urban areas. Excluding one-person households from our estimate because they do not include children, we came to 3.96 people per family. Another way of measuring family size would be by adding urban areas’ total fertility rate of 1.81 to the number corresponding to a couple (2), which gives us 3.81 people. Both of these estimates of family size are slightly less than 4.

While both of these figures are slightly less than 4, they seem to underestimate family size for a living wage for two reasons – which is why we decided to use 4 as the reference family size for estimating our HCMC living wage. First, they do not allow for the future replacement of the present adult population. Secondly, they fail to take into account that many families in Vietnam are single-headed, meaning that only one adult is covering the living costs of the children. So the possible overestimation of food costs by using a family size of four people (two adults and two children) would be more than compensated for by the fact that in many families, there is only one full-time worker – in the case of single-headed families – providing for the needs of the family. As we shall see below, we estimated that 1.78 is the number of adults working full-time in our reference family.

12. NUMBER OF FULL-TIME EQUIVALENT WORKERS IN FAMILY PROVIDING SUPPORT

Now we proceed to estimate the number of full-time workers in the family, as we should not assume that only one person is responsible for meeting the cost of living in our average family. In order to do so, once again, we followed the recommendations in the manual for estimating the living wage (Anker and Anker, 2017). The formula for estimating the likelihood that prime age adults in the reference family are full-time is the following:

\[
\text{Likelihood of full time worker} = \text{Average prime age adult labour force participation rate} \times (1.0 - \text{unemployment rate}) \times (1.0 - [0.5 \times \text{part-time employment rate}])
\]

We use the labour force participation rate (LFPR) for adults ages 25-59 for this study. According to Anker and Anker (2017), LFPRs are much lower for young (ages 15-24) than for adults (ages 15+ or 18+) because these rates typically increase from age 15 as youth leave school and join the labour force; rates are typically fairly stable from age 25 especially for men until later ages when rates decline as workers retire and leave the labour force (which is 60 for men and 55 for women in the case of Vietnam). For the world, LFPRs are 48.5% for youth ages 15-24 compared to 68.8% for adults ages 25+. 
Indeed, a large difference in youth and adult LFPRs is found in every region of the world (Anker and Anker, April 2017). For this reason, we use LFPRs for men 25-59 and 25-54 for women to estimate number of full-time equivalent workers per couple.

LFPRs are lower for women than for men throughout the world because some or many women are out of the labour force due to child and elder care (for the world, LFPR is 83.7% for men ages 25+ compared to 54.2% for women ages 25+). In the case of Vietnam, we used the LFPRs for men ages 25-59 and women ages 25-54 because the retirement ages of men and women are 60 and 55 respectively. Then, the LFPRs for men and women were averaged to determine the participate for couples and families.

Data for Ho Chi Minh City in the 2012 VHLSS are used (except for the part-time work, for which we used the data for urban areas because the data for HCMC were not available). The values were calculated for 2012 for the appropriate ages for all the rates using the above formula. The cut-off level set for part-time work was 30 hours a week. The calculated rates are shown below:

- Unemployment rate: 2.34%
- Part-time work rate: 7.98%
- Labor force participation rate: 83.13%.

The average ratio of full-time work per prime age adult is 0.78. As we have by assumption one adult already working in a factory, the number of full-time equivalent workers in the family is 1.78. The main idea underlying the formula is that the higher the labor force participation rate, the lower the unemployment rate and the lower the part-time work, the more likely that another adult family member will be working full-time, which would result in a lower living wage.

For our case, this means dividing the total living costs of VND 10,252,975 by 1.78, resulting in **VND 5,760,098** for the net living wage for Ho Chi Minh City Vietnam.

### 13. TAKE HOME PAY REQUIRED AND TAKING TAXES AND MANDATORY DEDUCTIONS FROM PAY INTO ACCOUNT

One final step is required. The living wage presented above was estimated having in mind the total costs workers should be able to afford. It should be looked at as a net take-home pay for the urban areas. However, the gross wage, which needs to be actually paid, should take into account that workers have to contribute to social security, health insurance, unemployment insurance, and pay union dues.

In terms of statutory deductions, Vietnamese workers have the following:

- 8% for social insurance
Living Wage Report for Urban Ho Chi Minh City, Vietnam with focus on garment industry

- 1.5% for health insurance
- 1% for unemployment insurance
- 1% for union dues (only applicable to union members).

The total deduction is 10.5% (or 11.5% for workers who are union members). The unionisation rate in the state owned enterprises sector is 78% and that in the non-state sector (private domestic and foreign-owned companies) is 33%. However, according to a VGCL official, the rate of collection of union dues is only 40% because the workers and employers evade union dues or workers are required to pay a flat rate of union dues (rather than 1% of their basic salary). The latter case was found among the 2 companies visited by the research team. Therefore, we did not include 1% for union dues in our calculation here but leave it for specific cases.

The basis for calculation of mandatory deductions is the basic salary. By 2018, all components of workers’ cash-based pay will be taxable. The part of the living wage that is included in the basis for calculation for mandatory reduction is hereinafter referred to as ‘the applicable part of the living wage’.

Therefore, to ensure the net living wage for workers, the gross living wage needs to be increased to take into account the statutory deductions from pay. Otherwise, workers would not have sufficient take home pay for this.

The formula for calculating the gross pay required for living wage is:

\[
\text{Gross pay required for living wage} = \text{Non-applicable part of net living wage} + \frac{[\text{Applicable part of net living wage}]}{[1.0 - 0.105 \text{ (taxes)}]}
\]

This results in a gross living wage estimate for HCMC of \text{VND 6,435,864}.

---

32 Art. 4, Circular 47/2015 of the Ministry of Labour, Invalids and Social Affairs.
SECTION IV. ESTIMATING GAPS BETWEEN LIVING WAGE AND PREVAILING WAGES

14. PREVAILING WAGES IN GARMENT INDUSTRY

One of the most important reasons for estimating a living wage is to determine if workers receive a living wage and if employers and industries pay a living wage. For this reason, we provide information in this section on different wages paid across occupations in the garment industry.

Our field research indicated that it can be tricky to determine which forms of remuneration should be included in the prevailing wage for comparison to a living wage. We, therefore, followed the general principles set in Anker and Anker (2017) living wage manual. These principles include:

- Received by most production workers in an industry
  
  This means that cash allowances and in kind benefits should be received by most production workers in an industry or establishment to be considered.\(^{33}\) A list of allowed cash allowances and in kind benefits would need to be established. This criterion will help to simplify auditing of establishments.

- Received regularly
  
  Workers need to receive wages regularly so that they can more or less count on it to pay for ongoing expenses. This criterion means that production bonuses that are not regularly received should not be counted for comparisons with living wage.

- Received within one year
  
  Workers have limited capacity to smooth their spending over time without having to borrow and run the considerable risk of getting into perpetual debt. We assume that workers are able to smooth out expenditures over the year when they know that they have a guaranteed cash allowance during the year. This criterion means that guaranteed cash allowances such as a National Day cash bonus and a 13\(^{th}\) month cash payment would qualify for inclusion in wages for comparison to living wage. On the other hand, this criterion means that

\(^{33}\) If an in kind benefit (such as a free lunch) is unusual for an industry, the value of lunch should not be counted when determining the gap between living wage and prevailing wage in such an industry. However, when an establishment in such an industry provides free lunch, the value of the free lunch should be counted when determining the gap between living wage and prevailing wages for this establishment.
pension and provident fund contributions by employers would not qualify for inclusion in wages for comparison to living wage, because pensions and provident funds are received well in the future (in addition to being far from guaranteed in many countries). Nor would eventual severance pay qualify as it is received at some unknown time in the future.

- **Earned during normal working hours**

One aspect of the definition of a living wage is that it must be earned in normal working hours. This means that overtime pay and pay premiums for holidays, weekends and night work are not appropriate to include in remuneration for comparison of current wages to living wage.

- **Received in cash except for in kind benefits and medical insurance that are for the personal benefit and use of workers and their families**

In kind benefits and medical insurance can reduce the cash wage required for a decent living standard. However, to avoid possible abuse, special rules are used to determine fair and reasonable monetary values for in kind benefits as explained below.

### 14.1 Basic wage, cash allowances and bonuses, and overtime pay

Garment companies in Vietnam use both hourly and piece-rate payment systems. However, piece-rate payment is more common for rank-and-file workers in the garment industry of Vietnam. According to Better Work Vietnam, while office clerks and workers working in sample-making departments are paid on an hourly basis, other garment workers are paid on piece rate (Better Work Compliance Report, July 2014). Mr. Truong Van Cam, Vice chairman of the Garment and Textile Union of Vietnam, explained that garment companies still keep an official basic salary which must be slightly higher than the applicable minimum wages to register to the local labour administration. When workers paid on piece rate basis fail to reach the minimum production required to achieve the minimum wage level, the company pays extra to make up for the gap. But if the worker fails to reach the minimum production required for 3 months, s/he would be dismissed.

In our research, we were able to visit 2 garment factories in Ho Chi Minh City. We conducted focus group discussions with 10 workers in each factory as well as in-depth interviews with the HR manager, union chairpersons, and team leaders. Although the research at these two factories allowed us to have an in-depth understanding of the specific establishments, it could not provide representative information about the wages of garment workers in Ho Chi Minh City (and urban areas of Vietnam in general).

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35 Interview with Mr. Truong Van Cam on 15 April 2016 in Hanoi.
Therefore, we relied mainly on information from 2 large and important surveys that were conducted at the beginning of 2016. The survey on wages and basic living expenses in 60 enterprises over 10 provinces (Ho Chi Minh City included) by the VGCL’s Institute of Workers and Unions, and the survey on Tet bonus and wages that covered 13,178 enterprises over 63 provinces and 2.4 million workers by the Ministry of Labour, Invalids and Social Affairs (MOLISA).

According to the 2016 Survey of VGCL’s Institute of Workers and Unions, garment companies are paying the basic wage at the minimum wage level or slightly higher. The minimum wage for Region 1 (Ho Chi Minh City, Hanoi and other most developed cities) for 2016 is VND 3,500,000. Garment workers receive an extra 7% if trained (by a training institute or the employer) and an extra 5% when the garment occupation is categorized as ‘heavy and hazardous work. Therefore, the minimum level of basic wage for a garment worker in 2016 is VND 3,920,000 for the relatively few workers who receive training and do hazardous work, and VND 3,500,000 for most garment workers. Apart from the basic salary, garment workers receive a number of allowances and bonuses including the following.

Attendance allowance: 56.6% of the workers surveyed by VGCL reported receiving attendance allowance. The average amount is VND 247,000/month. As more than half of the workers receive attendance allowance and the allowance is paid monthly, we include it in the prevailing wage for comparison with our living wage.

Living cost allowance (sometimes called ‘accommodation allowance’): 58% of surveyed workers in Region 1 (Ho Chi Minh City included) get paid this allowance. The average amount is VND 285,000/month. As more than half of the workers receive living cost allowance and the allowance is paid monthly, we include it in the prevailing wage for comparison with our living wage.

Travel/petrol allowance: 32.7% of surveyed workers get paid this allowance with the average amount of VND 252,000/month. As this allowance is not common among garment workers, we do not include it in the prevailing wage in comparison with our living wage.

Tet bonus: The Survey of MOLISA of over 13,178 enterprises and 2.4 million workers in January 2016 showed that 87% of the enterprises paid Tet bonus with an average of one month’s basic salary to workers. As most workers receive Tet bonus, we include it in the prevailing wage for comparison with our living wage.

Year-end bonus: According to the MOLISA Survey in 2016, 72% of the enterprises reported paying year-end bonus to workers with the average amount of VND 1,180,000 per year. As most workers receive year-end bonus, we include it into the prevailing wage.

wage for comparison with our living wage and calculated the prorated monthly value of this.

Overtime is not included in the prevailing wage for comparison with the living wage but it should be noted that overtime work is common and the overtime pay accounts for a considerable proportion of the worker’s income. According to the 2016 VGCL national survey, 62% of surveyed workers got overtime pay. They worked 33.4 hours of overtime per month and received VND 758,000/month on average.

Table 14.1. Wage components of the garment worker, Ho Chi Minh City

<table>
<thead>
<tr>
<th>Wage components</th>
<th>Average amount (VND) monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary (lowest)</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Attendance allowance</td>
<td>247,000</td>
</tr>
<tr>
<td>Living cost allowance</td>
<td>285,000</td>
</tr>
<tr>
<td>Tet bonus</td>
<td>291,667</td>
</tr>
<tr>
<td>Year-end bonus</td>
<td>98,333</td>
</tr>
<tr>
<td>Total allowances per month</td>
<td>922,000</td>
</tr>
<tr>
<td><strong>Gross cash wage (excluding overtime and in kind benefits)</strong></td>
<td><strong>4,422,000</strong></td>
</tr>
</tbody>
</table>

Source: Calculated based on VGCL and MOLISA Surveys, 2016.
Note: There are mandatory deductions from pay of 10.5% (based on basic salary and attendance allowance) that reduce gross wage.

### 14.2 In-kind benefits as partial payment of living wage

In-kind benefits are defined by the Organisation for Economic Cooperation and Development (OECD) as “goods and services furnished to employees free of charge or at markedly reduced cost that are clearly and primarily of benefit to the employee as consumers. They comprise food, drink, fuel, and other payments in kind; and cost, other than capital cost, of workers’ housing borne by employers (cost for employer owned dwellings, cost of dwellings not owned by employer and other housing cost).”

In kind benefits reduce the cash wage that workers require for living expenses. Thus, it is appropriate to take into consideration a fair and reasonable monetary value for in kind benefits when determining if an employer pays a living wage.

Based on a thorough review of labour laws in 162 countries and ILO Conventions and Recommendations (Anker and Anker, 2017a), the following approach was developed to estimate the value of in kind benefits as partial payment of living wage. It is divided into 3 steps:

---

Step 1: Decide whether an in kind benefit should be considered as partial payment of a living wage.

Step 2: Estimate monetary value for each acceptable in kind benefit.

Step 3: Ensure that the total estimated monetary value for all in kind benefits is less than maximum percentage(s) limit(s) allowed for in kind benefits.

To be considered as partial payment of a living wage, in-kind benefits should meet the following criteria:

- Considered of personal benefit and value to workers or their families for personal use.
- Customary for an industry when estimating typical prevailing wages in an industry.
- Meet minimum standard. This implies for example that meals should be balanced and nutritious and housing should meet a minimum standard for healthy housing.
- Received regularly so that worker can count on receiving the in kind benefit.
- Included on list of common and desirable in kind benefits.

List of acceptable in kind benefits as partial payment of living wage in Anker and Anker (2017):

- Meals at work
- Food rations or commodities sold at concession rates
- Housing (including electricity, water, and fuel) 38
- Transport to and from work (and to town on weekends from agricultural estates)
- Child care
- School
- Medical clinic and medical care (not required by law)
- Medical insurance (not required by law)

38 Note that housing for seasonal workers in dormitories should not be counted as partial payment of a living wage because this housing does not reduce the need for a permanent home for the worker’s family.
List of common benefits that are not to be considered as partial payment of a living wage in Anker and Anker (2017):

- Visas or work permits for migrant workers
- Clothing and equipment for work
- Work-related supplies
- Dormitories or shared housing for seasonal workers
- Drinking water provided to workers at work
- Land for kitchen garden
- Charitable contributions to the community that do not go exclusively to workers
- Contributions to Social Security or National Health Service required by law
- Paid time off work for vacation, sick leave, maternity leave, or public holidays when workers are paid on monthly basis.

In kind benefits in garment industry in urban Vietnam:

Garment companies in Ho Chi Minh City provide the following types of in kind benefits, although the specific list varies from company to company:

- Lunch. 90.5% of garment workers are provided with free lunches (VGCL 2016). The average cost of a lunch to employers is VND 15,000/person. This benefit satisfies the above-mentioned criteria (such as: of value and for workers’ personal use, provided frequently, and customary for the garment industry) and so it is included in prevailing wages for comparison to the living wage.

- Dinner. Those who work overtime for at least 2 hours get free dinner. But only 5% of surveyed workers got dinners in 2016. This benefit, therefore, is not customary for the garment industry (and also it is related to overtime work) and is not included in prevailing wage for comparison to the living wage.

- Transportation to and from work such as commute buses for workers who live far from the factory. The coverage of this benefit is only 4.7% (VGCL 2016). This benefit, therefore, is not customary for the garment industry and is not included in the prevailing wage for comparison to the living wage.

- Transportation to visit hometowns for Tet. Some companies rent buses to bring migrant workers and their families to their home towns for the Tet holidays and bring them back afterwards. Some others pay for one-way transportation and
the workers pay for the rest. According to HCMC Export Processing and Industrial Zones Authority (HEPZA), around 30% of workers in HCMC received this benefit during the 2016 Tet. This benefit, therefore, is not customary for the garment industry and is not included in prevailing wage for comparison to the living wage.

- Free or subsidised accommodation. Although bigger companies can provide free accommodation for (single) workers, others subsidize a part of the accommodation fees to support workers. However, according to HCMC Economic Processing Zone Administration (HEPZA), these subsidised accommodations only provide for 9% of the total demand of migrant workers. 91% of migrant workers in HCMC are still living in private rented accommodation. This benefit, therefore, is not customary for the garment industry and is not included in prevailing wage for comparison to the living wage.

- Gifts on special occasions. Gifts for workers and their families on weddings, birthdays, Children’s Day. These benefits vary greatly among companies and are not stable as they depend on the company’s budget and policy. Our interviews with workers and management in two garment factories showed that one company paid a total of one month salary for all special occasions in a year. For instance for Reunification Day, Independence Day, Children’s Day, Full Moon festival, etc. For the other company, the enterprise’s union provided gifts to workers from the union fund. Due to this variety among companies, we decided not to include these benefits in our calculation of prevailing wage for the garment industry but to leave it to calculate this value for each company separately when auditing companies.

For this study, therefore, we only include ‘lunch’ with the average value of VND 15,000/workday in the prevailing wage for comparison with the living wage.

\[
\text{In-kind benefit} = \text{VND } 15,000/\text{day} \times 26 \text{ days} = \text{VND 390,000/month}
\]

15. LIVING WAGE IN CONTEXT AND COMPARED TO OTHER WAGES

15.1 Wage ladder

To put the prevailing wage in context, we present the prevailing wage of garment workers in HCMC in a wage ladder and compare this with the estimate of living wage from this study as well as other wage benchmarks including:

- VGCL’s estimate of the minimum living expenses for 2016, Region 1 for one worker with one child dependent of VND 4,200,000/month which is equivalent to a wage per month of VND 4,719,101 using the Anker methodology (i.e.

Living Wage Report for Urban Ho Chi Minh City, Vietnam with focus on garment industry

multiplied by 2 to represent a family of 4 persons instead of 2 persons and divided by 1.78 full-time workers in the family).

- HCMC government poverty line wage for 2016: VND 2,821,000/month
- Minimum wage for 2016 for Region 1: VND 3,500,000/month
- Asia Floor Wage for 2016: VND 8,949,153/month
- World Bank poverty line wage for 2015: VND 1,872,000/month
- Average wage of urban formal sector employee, 2015\(^{40}\): VND 5,380,000/month
- Low-income employee in Vietnam income tax law: VND 5,000,000/month

Our estimate of the prevailing wage of many garment workers in HCMC without overtime is a little over VND 4,812,000 (VND 3,500,000 minimum/basic wage plus VND 390,000 common in kind benefits plus VND 922,000 common cash allowances) and a little over VND 5,570,000 with overtime. These are 25% and 13% lower than the gross living wage (VND 6,435,864) estimated by this study and 16% and 3% lower than the net living wage estimated by this study.

\(^{40}\) MOLISA’s Quarterly Labour Bulletin, Quarter 4 of 2015.
Living Wage Report for Urban Ho Chi Minh City, Vietnam with focus on garment industry

Wage Ladder, Garment Industry, HCMC Vietnam 2016

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Under the Aegis of Fairtrade International, Forest Stewardship Council, GoodWeave International, Rainforest Alliance, Social Accountability International, Sustainable Agriculture Network, and UTZ, in partnership with ISEAL Alliance and Richard Anker and Martha Anker
15.2 Recent wage trends

While the real GDP per capita of Vietnam has increased steadily since 2001, real minimum wages have fluctuated significantly. The minimum wage policy of Vietnam in the past 15 years can be divided into 3 periods. Before 2006, Vietnam had a complicated system of regional and sectoral minimum wages. The minimum wages were frozen between 1998 and 2005 due to the impact of the Asian Financial Crisis and as a result the real minimum wage in this period fell steadily. In 2006, a large wave of strikes exploded in the south of Vietnam with hundreds of thousands of workers walking out to demand an increase of the minimum wage. Since 2006, the Government of Vietnam has greatly increased real minimum wages, especially after 2011 when the inflation rate fell below 5%.

However, real minimum wages have been increasing at a much faster rate than labour productivity (Figure 15.1). According to the World Bank, the real minimum wage in Vietnam increased by 12.3% on an annual basis since 2006 while labour productivity increased by only 3.4%/year in the last decade.

**Figure 15.1: Real regional minimum wages and labour productivity (indexed to 2006)**

![Graph showing real regional minimum wages and labour productivity](image)


Recently, the National Wage Council agreed to a lower the rate of increase in minimum wages of 7.3% for 2017 as compared to previous years. Considering the slower increase in real minimum wages starting in 2017 along with the continuing slow increase in labour productivity, the issue of living wage and the voluntary participation of factories and brands in improving the wages for workers in Vietnam will be crucial to ensuring decent living standards for workers.
16. CONCLUSIONS

This report estimated a living wage for Ho Chi Minh City, Vietnam with a focus on the garment industry by using the methodology developed by Anker and Anker (2017). Ho Chi Minh City is one of the biggest cities/provinces in Vietnam with a population of over 8 million people. Although we focused on the situation of garment workers, our living wage can be applied to all wage workers in HCMC.

Our living wage estimate considered all the important costs that a family of four faces in order to have a basic and decent living standard. Our living wage is VND 6,435,864 (or USD 290). This is approximately 84% higher than the minimum wage in HCMC. Our living wage is 34% higher than prevailing wages of garment workers when common cash allowances and common in kind benefits are considered part of prevailing wages (but not overtime pay since a living wage should be earned in normal working time).

Workers in garment factories in Vietnam have to pay 10.5% for social taxes including social insurance, health insurance, unemployment insurance, and union dues if they are union members. The net living wage take home pay required for decency after mandatory deductions is VND 5,760,098 (or USD 259).

To estimate our living wage, we were clear about the assumptions we used so that stakeholders and others can understand how our living wage was estimated and what workers and their families would be able to afford if they earned a living wage. Our living wage is based on normative standards for nutritious diet, healthy housing, adequate healthcare, education for children, and transportation. We based our living wage estimates on available national survey data as well as new fieldwork research we conducted (interviews with workers and their families, sellers, service providers, managers) to determine realistic expenditures of workers’ families in the region. Therefore, our living wage estimate is time and place specific. Also, our living wage benchmark is a conservative estimate of how much workers need to earn for decency, because we used the lower costs to ensure the acceptable decency standards (e.g. only 30 square meters of living space including a garret for a family of 4 persons). Therefore, the living wage benchmark is far from an exaggerated and utopian estimate of needs. In this regard, it is worth noting that our living wage for HCMC is around 30% less than the Asian Floor Wage and only around 30% more than what a low-income employee is considered to be in Vietnam income tax law.

Although the Vietnamese government has increased the minimum wages by over 12% per year over the past decade, as indicated above, the minimum wages are still considerably lower than our gross living wage. The average prevailing wage of garment workers however, is not much lower than our estimate of the net living wage, but it should be noted that the remuneration of workers is highly variable since almost all garment workers are paid on piece rate. The pay that workers receive depends first and foremost on their attendance, and much less on their seniority and skill levels. Female workers who have bad health or

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41 The minimum wage (unskilled worker) for Region 1 (including Ho Chi Minh City) was VND 3,500,000 in 2016.
have young children (under 2 years old) may face considerable reduction of pay due to their lower attendance rate. According to the female garment workers we interviewed, their salaries were brought down in months when their kids were sick.

At the same time, it will be difficult for the Vietnam government to continue raising the minimum wages at the same rate as in recent years because the rate of labour productivity increases in the past decade have lagged far behind increases in the real minimum wage.

To raise the wages for workers to the living wage level requires the concerted effort of factories, brands, social compliance companies, local trade unions, and the government to figure out the best measures that fit with the specific conditions of the industry and the region.

*Table 16.1: Summary table for calculating our living wages*

<table>
<thead>
<tr>
<th>ITEM</th>
<th>VND</th>
<th>USD42</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PART I. FAMILY EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food cost per month for reference family (1)</td>
<td>3,774,830</td>
<td>170</td>
</tr>
<tr>
<td>Food cost per person per day</td>
<td>31,026</td>
<td>1.40</td>
</tr>
<tr>
<td>Housing costs per month (2)</td>
<td>2,046,800</td>
<td>92</td>
</tr>
<tr>
<td>Rent per month for acceptable housing</td>
<td>1,500,000</td>
<td>68</td>
</tr>
<tr>
<td>Utilities and minor repairs per month</td>
<td>546,800</td>
<td>25</td>
</tr>
<tr>
<td>Non-food non-housing costs per month taking into consideration post checks (3)</td>
<td>3,943,108</td>
<td>178</td>
</tr>
<tr>
<td>Preliminary estimate of non-food non-housing costs</td>
<td>3,703,108</td>
<td>167</td>
</tr>
<tr>
<td>Health care post check adjustment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Education post check adjustment</td>
<td>140,000</td>
<td>6</td>
</tr>
<tr>
<td>Transport post check adjustment</td>
<td>100,000</td>
<td>5</td>
</tr>
<tr>
<td>Additional 5% for sustainability and emergencies (4)</td>
<td>488,237</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total household costs per month for basic but decent living standard for reference family (5)</strong></td>
<td>10,252,975</td>
<td>462</td>
</tr>
</tbody>
</table>

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421 USD = 22,200 VND.
### PART II. LIVING WAGE PER MONTH

<table>
<thead>
<tr>
<th>ITEM</th>
<th>VND</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living wage per month, net take home pay (6) [6=5/1.78 full-time equivalent workers per family]</td>
<td>5,760,098</td>
<td>259</td>
</tr>
<tr>
<td>Mandatory deductions from pay (7) (listed in notes to table) b</td>
<td>675,766</td>
<td>30</td>
</tr>
<tr>
<td>Gross wage required per month for Living Wage (9) [9=6-7]</td>
<td>6,435,864</td>
<td>290</td>
</tr>
</tbody>
</table>

### PART III: LIVING WAGE CASH BASIC WAGE IN INDUSTRY CONSIDERING VALUE OF COMMON IN KIND BENEFITS, CASH ALLOWANCES, AND BONUSES IN INDUSTRY

<table>
<thead>
<tr>
<th>ITEM</th>
<th>VND</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical value per month of common in kind benefits in industry (10A) (list in notes to table) c</td>
<td>390,000</td>
<td>18</td>
</tr>
<tr>
<td>Typical value per month of common cash allowances and bonuses in industry (10B) (list in notes to table) d</td>
<td>922,000</td>
<td>42</td>
</tr>
<tr>
<td>Net living wage basic cash wage when workers receive typical in kind benefits, cash allowances, and bonuses in industry (11) [11= 6-10A-10B],</td>
<td>4,448,098</td>
<td>200</td>
</tr>
<tr>
<td>Gross living wage basic cash wage when worker receives typical in kind benefits, cash allowance, and bonuses in industry (12) [12= 9-10A-10B]</td>
<td>5,123,864</td>
<td>231</td>
</tr>
</tbody>
</table>

Notes:
- b Mandatory deductions from pay include the following items and percentages:
  - 8% for social insurance
  - 1.5% for health insurance
  - 1% for unemployment insurance
- c Common in-kind benefits include the following items and values:
  - Lunch: VND 390,000/month
- d Common cash allowances and bonuses include the following items and amounts
  - Attendance allowance: VND 247,000/person/month on a prorated basis
  - Living cost allowance: VND 285,000/person/month
  - Tet bonus: VND 291,667/person/month on a prorated basis
  - Year-end bonus: VND 98,333/person/month on a prorated basis
Table 16.2: Key values and assumptions for living wage estimate

<table>
<thead>
<tr>
<th>KEY VALUES AND ASSUMPTIONS</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location (&amp; industry if relevant)</td>
<td>Ho Chi Minh City (Garments)</td>
</tr>
<tr>
<td>Exchange rate of local currency to USD</td>
<td>22,200</td>
</tr>
<tr>
<td>Number of full-time workdays per month</td>
<td>26</td>
</tr>
<tr>
<td>Number of hours in normal workweek</td>
<td>48</td>
</tr>
<tr>
<td>Number of full-time workers per couple</td>
<td>1.78</td>
</tr>
<tr>
<td>Reference family size</td>
<td>4</td>
</tr>
<tr>
<td>Number of children in reference family</td>
<td>2</td>
</tr>
<tr>
<td>Preliminary ratio of non-food non-housing costs to food costs</td>
<td>0.981</td>
</tr>
</tbody>
</table>
REFERENCES


Fair Wear Foundation (2015). Country Study for Vietnam (Link:

HID. (2011) Migrant workers’ access to pre-primary education services in Ho Chi Minh City.
Link to access:


(Available at:
