

ECONOMY

Vietnam limits minimum wage hike to 5.3%

Increase marks record low as ASEAN members vie for foreign business

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A worker assembles a bicycle at a workshop in Hanoi. Vietnam's minimum wage growth has slowed substantially over the past few years. © Reuters

HANOI -- Vietnam decided Tuesday to raise minimum wages by 5.3% next year, the lowest margin yet, amid fierce competition with other Southeast Asian countries to attract foreign business.

Labor unions had initially sought an increase of about 8%, while employers countered with 2%. The middle ground was agreed upon Tuesday at the National Wage Council, a state oversight body with representatives from both sides.

Prime Minister Nguyen Xuan Phuc is expected to officially sign off on the minimum wage hike as soon as November, and it will go into force in January. Monthly minimum pay in Hanoi and Ho Chi Minh City, where salaries are the highest, will rise to 4.18 million dong (\$179).

Starting in the 2000s, Vietnam increased its minimum wage by double digits nearly every year. Then the 2017 hike slipped to an all-time low of 7.3%, followed by this year's increase of 6.5%.

The government has curbed wage growth, seeing higher labor costs as hindering efforts to draw foreign companies to invest. The Association of Southeast Asian Nations **fully integrated** Vietnam and three other countries into its economic community this January, further stoking a scramble among ASEAN members to woo cross-border investments.

Inflation is likely to erase much of the raise's earning power, which could heighten grievances among workers. Consumer prices rose 3.53% in 2017, and are expected to grow by around 4% this year.

While Vietnam is seemingly telling citizens to bear with the meager wage hikes for the good of business engagement, the leader of neighboring Cambodia is taking a decidedly different route. During his campaign leading up to last month's **general election victory**, Prime Minister Hun Sen promised to raise the monthly minimum wage by about 50% by 2023, or to the equivalent of \$250.