

## Assurance of Income and Life for Employees through Wage Regime

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**ABSTRACT :** Basing on theoretical analysis about the wage regime, at the same time, identifying the subjects obliged to ensure the income and life of employees through the wage regime, this paper initially points out the inadequacies, difficulties and proposes solutions to perfect this regime.

**Keywords:** Wage, income assurance, employees

### I. INTRODUCTION

In labor relations, wages are a key factor that maintains the tie between employers and employees. That is because for employers, wages are an input of the production and business process, which directly affects profits. Meanwhile, for employees, wages are a regular source of income, which helps ensure the lives of individuals and their families. In fact, the wage regime for employees still has certain shortcomings and difficulties. In order for wages to really be the main source of income and contribute to stabilizing the lives of employees, it is necessary to study the regulations on obligations of the relevant entities, as well as the implementation reality, thereby proposing solutions to perfect this regime.

### II. CONTENT

#### 1. Concept, characteristics and functions of wage

Wage is a relatively complex concept, which has been studied by many different sciences but primarily and firstly, political science and legal science. In terms of the political economy, wage is a constituent of production costs, which is used to buy and sell goods that are labor, contributing to solving the labor division and production management process.

In the field of legal science, the concept of wage is regulated by the International Labor Organization (ILO), in Article 1 of Convention No. 95 on Protection of Wages [1]. This regulation shows us the following signs of wage recognition: (i) wages are a means for employers to pay employees; (ii) the payment form is in cash; (iii) the establishment is agreed upon by the parties or required by the national law.

In Vietnam, the concept of wages is defined in Article 90 of the Labor Code 2012. According to this regulation, wages are made up of 3 parts: basic wages, allowances and other additional payments. Through this regulation, the State plays a management role, contributing to ensuring fairness among parties in labor relations, especially protecting employees - the more disadvantaged entity in the conditional labor relationship that guarantees income and life.

Serving as a link between employees and employers, wages have the following functions: value measurement; labor power reproduction; labor stimulation; savings and social function [4, p. tr.359 - 361]. The function of value measurement represents wages as the labor price of employees, which is closely linked to the production process and contributes to creating wealth for the society. The function of labor power reproduction is reflected in the compensation, maintenance and development of the current and future labor force of employees. The function of stimulation reflects that the State and employers consider wages as a means to motivate employees to feel secure, eager to engage in productive labor, to abide by labor discipline and to

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enhance responsibility and work performance. Wages help employees address needs in life, including risk provisions. Regarding the social function, wages contribute to improving the lives of employees and their families, limiting the unemployment.

## II. OBLIGATION TO ENSURE INCOME AND LIFE OF EMPLOYEES THROUGH WAGE REGIME

### 2.1. Obligations of the State

Labor relations are those with special participants, including: employee - state - employer. This special stakeholder system constitutes a tripartite regime in which the State “utilizes the results of tripartite cooperation to develop, implement, and adjust labor policies and laws” [4, p.120]. The State's obligations in ensuring income and living standards for employees are as follows:

Firstly, the State promulgates regulations on minimum wage and adjusts minimum wage. Determining that employees are subjects with low economic status, limited knowledge and ability, the State will set a minimum wage to serve as a basis for the two parties in the labor relationship so that they cannot reach agreement on a lower wage. The minimum wage is determined by time, by region and by industry. Bases for the State to stipulate the minimum regional wage on the basis of recommendations of the National Wage Council include: "The minimum living needs of employees and their families, socio-economic conditions and wages on the labor market" (Clause 2, Article 91 of the Labor Code). Regulations on minimum regional wages to protect the real income value of employees against inflation and other market fluctuations. In Vietnam, the regulations on regional minimum wages have been adjusted for many times, specifically:

Statistics of regional minimum wages over years

Year	Legal basis	Regional minimum wage (unit: VND/month)			
		I	II	III	IV
2016	Decree No. 122/2015/ND-CP	3,500,000	3,100,000	2,700,000	2,400,000
2017	Decree No. 153/2016/ND-CP	3,750,000	3,320,000	2,900,000	2,580,000
2018	Decree No. 141/2017/ND-CP	3,980,000	3,530,000	3,090,000	2,760,000
2019	Decree No. 157/2018/ND-CP	4,180,000	3,710,000	3,250,000	2,920,000
2020	Decree No. 90/2019/ND-CP	4,420,000	3,920,000	3,430,000	3,070,000

(Source: Adapted by the author)

In general, according to the regulation, regional minimum wages have been increased gradually over years. This provision creates a uniform measure for employers to rate their wages, reducing the average among types of labor. In addition, this revision is suitable to the conditions of socio-economic development, contributing to ensuring the income and life of employees in the context of market fluctuations.

Secondly, the State encourages employers to ensure that the wage regime for employees is higher than the level prescribed by the law. These incentives are expressed in Clause 1, Article 4 and Article 102 of the Labor Code. These regulations are intended to increase the competitiveness of wage-paying employers in a way that benefits employees. For employees, this provision is a motivation for them to reproduce simple labor, labor enthusiasm, production, contributing to increasing income and stabilizing life.

### 2.2. Obligations of employers

Since an employment relationship is a relationship between hiring, employment, and payment of wages between employers and employees, employers must be obliged to ensure the rights of the employees, including the wage regime. Accordingly, employers have the following obligations:

Firstly, in principle and payment period, employers must pay wages directly, fully and on time. In special cases where wages cannot be paid on time, it must not be later than 01 month and employers must pay employees an additional amount at least equal to the deposit interest rate set by the State Bank of Vietnam announced at the time of payment (Article 96 of the Labor Code). Employers are obliged to ensure monthly wages at least once, possibly "once a month or half a month" (Clause 2, Article 95 of the Labor Code). These rules are intended to limit employers' appropriation of employees' wages, affecting their maintenance of minimum living standards.

Secondly, employers are obliged to secure wages for employees in special cases, such as probation, overtime, and night work. In order to ensure favorable conditions for employees when probationing, especially for salaries to help them maintain their lives, Article 27 of the Labor Code stipulates that wages during the probation period is agreed upon by the two parties, but at least equal to 85% of wages. When working overtime, employees must use more labor, change the circadian rhythm, especially at night to change the time of sleep and work in artificial light conditions. Therefore, employees need to compensate certain wages to maintain labor

force and stabilize daily life. Article 97 of the Labor Code stipulates that overtime pay is equal to at least 150% on weekdays, 200% on Sundays and 300% on holidays (Clause 1); overtime at night is paid an additional 20% compared to daytime work (Clause 2).

Thirdly, employers are obliged to pay salaries to employees when they stop working because of their employees' fault. Articles 98 and 100 of the Labor Code stipulate that employees who stop working due to an employee's fault are paid as agreed with the employer, but not lower than the regional minimum wage or advance payment. These regulations not only ensure the income and life of employees from the sales of labor, but also ensure that their wages are not affected by objective reasons and business risks.

Fourthly, employers are obliged to ensure income for employees in case of job loss and severance. In case the merger, consolidation, or division of an enterprise or cooperative leads to the employee losing his/her job, the employer must pay a job-loss allowance to the employee, equal to 01 month wage for each year of work, but at least equal to 02 months' wage (Articles 44, 45, 49 of the Labor Code). When the labor contract is terminated (except for cases of social insurance payment, reaching retirement age and dismissal), the employer is responsible for paying severance pay to the employee who has worked regularly for full 12 months or more and received one-half a month's wage for each working year. These regulations are aimed at creating favorable conditions for employees who are able to maintain their current lives and soon find new jobs that match their capacities and needs.

Fifthly, employers are obliged to pay employees during breaks prescribed by Articles 111, 112, 115 and 116 of the Labor Code. This provision protects the right to rest in order to reproduce the labor force while ensuring the income of employees. If employees take time off work, but do not guarantee them about wages, they cannot really rest.

### **III. DIFFICULTIES, INADEQUACIES AND PROPOSE SOLUTIONS TO ENSURE INCOME AND LIFE FOR EMPLOYEES THROUGH WAGE REGIME**

The current wage regime guarantees a part of income and life of employees, but still presents the following shortcomings:

Firstly, the regulations on regional minimum wage are still low, not really meeting the minimum living needs of employees. The determination of the regional minimum wage is calculated mainly on the basis of the depreciation of living expenses, not covering all expenses actually paid by employees, such as telephone, transportation and raising costs, supporting dependents such as children, elderly parents, etc. On the other hand, before the regional minimum wage increased, the cost of living such as housing, electricity, water, food prices have increased [2]. Moreover, in the process of implementing the law, many employers still stick to the region's minimum wages to agree to pay employees. This directly affects the daily lives of employees, especially densely-populated areas, industrial parks and export processing zones, such as Hanoi, Ho Chi Minh City, Dong Nai, Binh Duong, etc. and living costs are higher than other regions.

For employees working in the public sector, wages are still low and depending too much on the state budget, the wage scale and payroll system are mainly based on the seniority of the work, as a basis for payment of social insurance and health insurance. This wage regime has not really become a measure of labor value and creates difficulties for employees in ensuring their lives for themselves and their families.

Secondly, the regulations on bases and forms of payment still have certain shortcomings. The provision in Article 90 of the Labor Code on the basis of payment of wages are based on labor productivity, work quality and gender non-discrimination. This provision omits bases for calculating and paying employees, such as the work environment, wage discrimination criteria such as race, age, and background of origin or disability.

From these difficulties and shortcomings, the author proposes a number of measures to reform the wage regime and contributing to ensuring income and living standards for employees as follows:

Firstly, build a minimum wage system that is suitable for each subject, consult experts to calculate the costs that may be incurred by employees. Especially for employees working in areas with high living costs, it is necessary to have support policies on housing rentals, childcare at preschools, travel expenses, etc. There is a clear distinction between working positions between the public and private sectors to ensure that wages are paid to employees in the true sense of labor value. Furthermore, it is necessary to have a financial backup plan for employees in cases of risks such as accidents, illness, and death.

Secondly, amend and supplement regulations on wage payment bases and forms accordingly. Regarding the basis of payment, it is necessary to supplement the working environment without discrimination based on any criteria such as gender, race, age or disability. Regarding the wage payment form through a bank account, it imposes an obligation on employers to pay the costs of opening and maintaining an account to reduce the burden on the employees.

Furthermore, reforming the wage regime needs comprehensive research, closely following practical requirements of the country's economy, the ability to supply and demand of labor in the market, the integration factor as well as the solvency of the organization and enterprise. These factors are a practical basis for the State

and employers to regulate the management and recruitment of human resources, balancing the interests between entities in labor relations, especially ensuring that wages are the main source of income for employees to stabilize their lives.

#### IV. CONCLUSION

The wage regime is one of the important contents contributing to the harmonization of the labor relations between employees and employers, as well as contributing to stabilizing the country's economy. The theoretical research, as well as practical regulations on wage regime are crucial in order to find positive points to continue promoting and overcoming shortcomings and difficulties in order to contribute to ensuring income and life for employees on the basis of harmonizing the interests of employers and the State.

For the State and the Government, the study of the wage regime demonstrates the role of management and administration entities in the economy and shows the care to employees' life. For organizations and enterprises that employ employees, the completion of the wage regime is always a key issue in the process of effective management and allocation of labor resources. Therefore, reforming the wage regime to contribute to ensuring income and living standards for employees should be conducted in a synchronized and timely manner by all concerned subjects.

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