

ECONOMY

ASEAN wage hikes worry industries benefiting from supply chain shift

Vietnam implements 6% nationwide raise; Thailand plans 'unrealistic' 14% increase



A garment factory in Hanoi. The minimum wage in the capital has increased about 80% over the past decade. (Photo by Atsushi Tomiyama)

ATSUSHI TOMIYAMA, RAMON ROYANDOYAN, APORNRATH PHOONPHONGPHIPAT and NORMAN GOH, Nikkei staff writers

July 2, 2024 14:19 JST

TOKYO/MANILA/BANGKOK/KUALA LUMPUR -- Southeast Asia's major manufacturing hubs are raising their minimum wages in the second half of this year, potentially forcing companies to rethink their strategies as the region draws more investments and becomes a larger part of the global supply chain.

This month, the minimum wages across Vietnam rose an average of 6%. In big cities like Hanoi and Ho Chi Minh City workers are now guaranteed 4.96 million dong (\$193) per month, about 80% more than a decade ago.

Vietnam's gross domestic product **expanded 6.9% in the second quarter** compared to a year earlier. It has one of the region's fastest-growing economies, reflecting a robust manufacturing sector that has attracted a large amount of foreign direct investment. Much of the attraction has to do with Vietnam's relatively cheap labor costs and proximity to China.

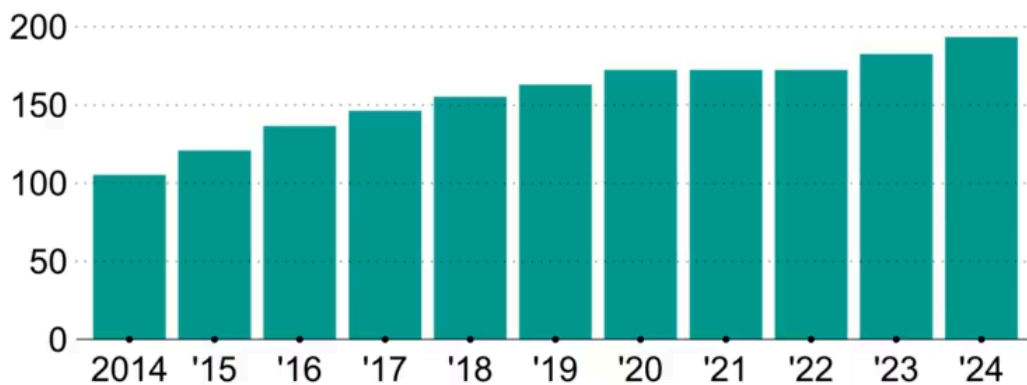
Vietnam's higher minimums remain lower than those of its regional peers, which are mostly set above \$200. They are also well below Beijing's minimum wage of 2,420 yuan (\$332). But continuous minimum wage hikes could eventually threaten one of Vietnam's key advantages, especially as many businesses rely on labor-intensive industries such as assembly and sewing.

"Concerned about rising labor costs, more companies are considering expanding outside of major urban areas," said Akira Miyamoto, general director of Sufex Trading, a Vietnam-based intermediary that helps Japanese companies looking for industrial park space.

Vietnam regulates minimum wages in four regions, with wages in metropolitan areas being more than 40% higher than those in the least-developed regions.

Vietnam's minimum wages over the past decade

(Monthly, in dollars)



Data for big cities

Source: Vietnam's General Statistics Office

But labor costs are not alone in going up. "Land prices in industrial parks have risen significantly," Miyamoto said, "especially in the area around Ho Chi Minh City."

Thailand, another Southeast Asian manufacturing power, plans to raise its minimum daily wage to 400 baht (\$10.9) per day starting in October, up around 14% from the current 300 to 350 baht, despite **strong industry opposition**. The new minimum means workers will earn at least about \$237 per month.

"The policy to push the minimum wage to 400 baht per day nationwide is unrealistic," said Poj Aramwattananont, vice chairman of the Thai Chamber of Commerce, in a recent statement. "It does not match the fundamentals of the Thai economy."

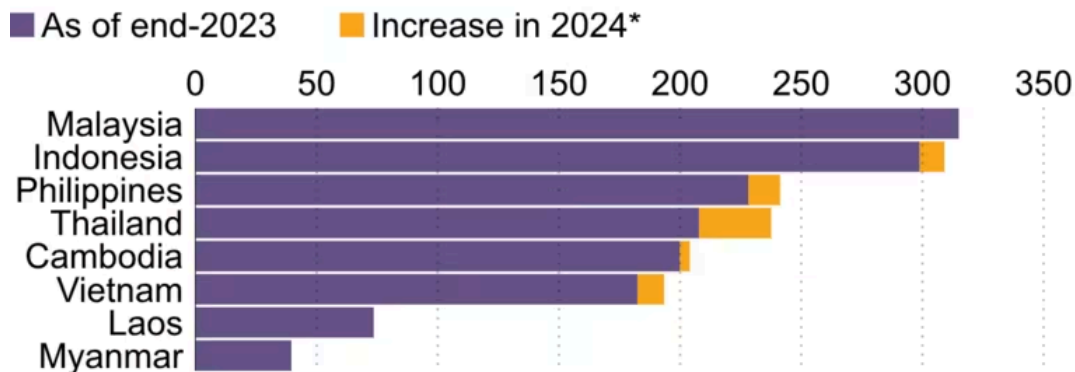
Poj believes the new minimum will cause Thailand to lose its industrial competitiveness.

Meanwhile, the Philippines on Monday said it will increase the minimum wage in the Metro Manila area to 645 pesos (\$11) per day, up 6% from the current 610 pesos, effective July 17. The new daily minimum translates into a monthly wage of about \$241.

The Philippine government in 2023 implemented meager increases to the daily minimum wage to manage inflation. The coming hike, which will apply only to Metro Manila for now, could ease some consumer pain, though not much due to the weak peso and the currency's lost purchasing power.

Monthly minimum wages in Southeast Asia

(In dollars)



*Including expected hikes

Converted daily data to monthly by multiplying 22 for some countries

Source: WageIndicator, government statistics

"Wage hikes are historically always too small and mainly according to what employers are willing to give rather than what they can and certainly not according to what workers need," Sonny Africa, executive director at the nonprofit IBON Foundation in Manila, told Nikkei Asia.

Still, local businesses are concerned about continued wage hikes. The Philippine Chamber of Commerce and Industry, one of the country's largest domestic business groups, said in a statement in February that a wage hike could discourage investors.

"No one would ever try to look at the Philippines once they see that legislators can enact wage hikes anytime, even disregarding the authority of the National Wage Board," the statement says.

Malaysia's minimum wage is unlikely to change this year. The country implemented its minimum wage policy in 2013 and has since made cost of living adjustments. In 2022, the nationwide minimum increased to 1,500 ringgit (\$318) per month.

This year, the government introduced a new wage scheme, the **Progressive Wage Policy**, to encourage employers in specific sectors to raise wages, especially for low-income earners. Key elements include incremental wage growth, which links raises to skill development and productivity, sectoral wage frameworks and enhanced compliance measures. For now, the progressive wage policy will be voluntary for employers.

Additional reporting by Kim Dung Tong in Ho Chi Minh City.

[Get our Asia daily briefing newsletters](#)

newsletter@nikkeiasia.com

Register
