Total Compensation in Vietnam:
Trends and Highlights

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About Birches Group

• Specialized HR consultancy founded in 2005, with HQ in New York, Data Centre in Manila, and two offices in Europe
• Total compensation surveys in 148 developing markets
• Multi-sector and specialized NGO-only surveys
• **Two surveys in Vietnam – multi-sector and NGO Local Pay**
• Compensation policy and scale design
• OD consulting (job evaluation, competency models, performance management)
• Expatriate policy consulting
Today’s Focus

- Introduction
- What is the purpose of compensation?
- What is the basis for setting compensation?
- Measuring the market
- Vietnam – A Case Study
The Purpose of Compensation

• Recruit, Retain, Motivate and **EXIT**

• Framework for Resource Management

• Provides a Career Framework
The Basis for Setting Compensation

- The market for comparable jobs
- Methodology that is simple, easy, and comprehensive
- Sufficiently attractive to secure talent
Measuring the Market

The Salary Survey
Why you need labour market intelligence?

- Companies are always concerned with attracting, retaining and rewarding the best talent
- To be successful, you must be competitive
- The only way to understand the competitive market is to refer to high quality, independent market surveys

But first, what kind of survey is most suitable for Vietnam?
The Nature and Characteristics of Labour Markets in Developing Countries (including Vietnam)

- Fewer “good” employers
- **Talent shortages**
- Periods of economic and social volatility
- **Significant differentials in pay between support & professionals**
- Inconsistent/incomplete Social Security structures
- Lack of clarity on labour law
- Challenges of data sourcing
Sectors Don’t Matter Much…

Good talent moves around
Big Gap Between “the Best” and “the Rest”

Leading employers have more in common with other leaders, regardless of sector.
Developing Country Survey Challenges

- Smaller sectors
- Wide variations in incumbent data
- Lack of matches
- Complex array of allowances & in-kind benefit practices
- Less understanding of reward policies

_Do conventional survey methods even work?_
How then do you put the pieces of a logical and cohesive compensation package together?

Do not start with a salary survey.

Not yet.
First, ask *Who Are You?*

- What is your target position in the market?
- How do you define your “market”?  
  - Where you recruit talent from?  
  - Where you lose talent to?  
  - Specific sectors or types of organizations?
- Where do you want to be?  
  - Are you a market leader?  
  - What is important to the company?
- Where are you right now?  
  - Leading, lagging or spot-on?
Things to Consider

• What is the right balance of internal equity and external competitiveness?

• Will you consider both cash and non-cash remuneration when measuring the market?

• How will employees be recognized for their performance?

• What factors should be considered when adjusting your compensation structure? How often?
How to Measure the Market

**Market Composition**
- What group of employers is relevant?
- How large of an employer group?

**Market Placement**
- What target percentile is appropriate?

**Balancing Dynamics**
- Internal: Dynamics of team and priorities of the organization
- External: Competitiveness against the market
And Finally, You Need a Good Survey - One That…

• Captures total compensation

• Has a profile of relevant comparators

• Addresses the volatility of data in small developing markets

• Provides a flexible and adaptable solution
What makes up total compensation?

- Base salary
- Fixed cash allowances
- Variable cash
- Benefits in-kind, such as
  - Transportation
  - Housing
  - Food & beverages
  - Recreational activities
  - Subsidized loans
  - Company products

- Pension and retirement
- Termination/end of service benefits
- Health insurance
- Life insurance
- Other insured benefits
- Leave benefits
- Family benefits

And more…
Case Study: Vietnam

VIETNAM GDP PER CAPITA
GDP Per Capita in US Dollars at Constant Prices Since 2006

VIETNAM PRESS-FDI in Vietnam’s property hits 4-yr peak in 2014 - Dau Tu

VIETNAM INFLATION RATE
Annual Change of Consumer Price Index

Chart 4. Vietnam has rapidly trimmed its trade deficit and now runs a surplus

Source: Bloomberg, HSBC

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Case Study: Vietnam
Birches Group Multi-sector Salary Survey (October 2014)

Asian Development Bank (ADB)
Axalta Coating Systems
Brenntag Ingredients, Inc.
Columbia Sportswear Company
Double A
EDF Representation Office
Embassy of Australia
Embassy of Canada
Embassy of Germany
Embassy of the United States
European Union
Gerber Scientific Intl. Co., Ltd
MasterCard
Mercedes-Benz
Nokia
Population Services International (PSI)
Quintiles
United Airlines, Inc.
United Nations
Wal-Mart Global Sourcing
World Bank

Sector
- Embassies
- International Organizations
- NGO's
- Manufacturing
- Pharmaceuticals
- Telecommunications
- Airlines
- Wholesale and Retail Trade
- Technology
- Miscellaneous (Private Sector)
Case Study: Vietnam

Total Compensation in Vietnam - September, 2014

**50th Percentile**

- **Salary Range Maximum**
- **Market Reference Point (incumbent average)**
- **Salary Range Minimum**

**Annual Total Gross Compensation (VND)**

- 500,000,000
- 1,000,000,000
- 1,500,000,000
- 2,000,000,000
- 2,500,000,000
- 3,000,000,000

**Birches Group Levels**

1 2 3 4 5 6 7 8 9 10 11 12
Pay differentials within (span) and across adjacent grades (inter-grade differential) can be significant.
Market Footprint
(BG-10) Senior Working Level Professional

<table>
<thead>
<tr>
<th></th>
<th>25th Percentile</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max</td>
<td>844,809,283.96</td>
<td>1,126,507,700.00</td>
<td>1,978,477,300.00</td>
</tr>
<tr>
<td>MRP</td>
<td>772,850,000.00</td>
<td>1,010,171,974.95</td>
<td>1,512,960,050.00</td>
</tr>
<tr>
<td>Min</td>
<td>664,583,328.50</td>
<td>798,491,000.00</td>
<td>1,126,507,700.00</td>
</tr>
</tbody>
</table>
### Total Gross Salary Breakdown

#### (BG-10) Senior Working Level Professional

#### Total Gross Compensation Breakdown

<table>
<thead>
<tr>
<th>1. Annual Base Salary</th>
<th>MRP at 50th percentile</th>
<th>% of Total Gross Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>920,183,399</td>
<td>91.1</td>
</tr>
<tr>
<td>2. Fixed Cash Allowances</td>
<td>29,640,411</td>
<td>2.9</td>
</tr>
<tr>
<td>3. Short-Term Incentive Plans</td>
<td>55,479,256</td>
<td>5.5</td>
</tr>
<tr>
<td>4. In-Kind Benefits</td>
<td>4,868,908</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**Total Gross Compensation:**

- **Total:** 1,010,171,975 (100.0%)
- **Total Cash (1+2+3):** 1,005,303,067 (99.5%)
Market Footprint
*(BG-6) Specialized Service Provider/Technician*
Total Gross Salary Breakdown
(BG-6) Specialized Service Provider/Technician

Total Gross Compensation Breakdown

<table>
<thead>
<tr>
<th>Category</th>
<th>MRP at 50th percentile</th>
<th>% of Total Gross Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Annual Base Salary</td>
<td>376,086,556</td>
<td>90.5</td>
</tr>
<tr>
<td>2. Fixed Cash Allowances</td>
<td>24,678,116</td>
<td>5.9</td>
</tr>
<tr>
<td>3. Short-Term Incentive Plans</td>
<td>10,912,194</td>
<td>2.6</td>
</tr>
<tr>
<td>4. In-Kind Benefits</td>
<td>3,821,950</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total Gross Compensation</strong></td>
<td><strong>415,498,815</strong></td>
<td><strong>100.0%</strong></td>
</tr>
<tr>
<td><strong>Total Cash (1+2+3)</strong></td>
<td><strong>411,676,865</strong></td>
<td><strong>99.1%</strong></td>
</tr>
</tbody>
</table>
Benefits Prevalence

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus</td>
<td>52%</td>
</tr>
<tr>
<td>Short Term Incentives</td>
<td>48%</td>
</tr>
<tr>
<td>Actual Food &amp; Beverages</td>
<td>14%</td>
</tr>
<tr>
<td>Transportation</td>
<td>5%</td>
</tr>
</tbody>
</table>
Summary of Medical Benefits

Percentage of Employers Providing Family Medical Benefits

- Employee Only: 10%
- Employee + Immediate Family: 48%
- Employee + Extended Family: 0%

Levels of Contribution (as a percentage of annual premium/contribution)

- Employer: 85%
- Employee: 15%
Summary of Retirement Benefits

### Type of Supplementary/Employer Retirement Plan

- Combined DB/DC Plan: 76.19%
- Contributory Defined Benefit Plan: 9.52%
- Defined Contribution Plan: 9.52%
- No Supplemental Plan: 4.76%
- Non-Contributory Defined Benefit Plan: 0%

### Contribution to DC Plans (as percent of base salary)

- Employer: 5.0%
- Employee: 5.0%
A Look at the ASEAN Market
Expected Market Movement and Inflation (Jan. - Jul. 2015)
South East Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Professional</th>
<th>Support</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>3.07%</td>
<td>3.41%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.93%</td>
<td>4.45%</td>
<td>4.10%</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>2.32%</td>
<td>0.82%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2.04%</td>
<td>1.50%</td>
<td>6.90%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.93%</td>
<td>1.44%</td>
<td>3.60%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1.70%</td>
<td>0.59%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>1.55%</td>
<td>3.36%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.27%</td>
<td>1.10%</td>
<td>2.60%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.76%</td>
<td>0.80%</td>
<td>6.90%</td>
</tr>
</tbody>
</table>

SE Asia Average:
- Professional: 1.95%
- Support: 1.94%
- Inflation: 4.34%
Comparison of Total Compensation in the ASEAN Market

Specialized Service Provider/Technician (BG-06)

- **Brunei**
  - 75th Percentile: $24,269
  - 50th Percentile: $16,076
  - 25th Percentile: $15,219

- **Thailand**

- **Malaysia**

- **Cambodia**

- **Vietnam**

- **Philippines**

- **Myanmar**

- **Indonesia**

- **Laos**

Annual Total Compensation
(equivalent US Dollars)

Lower Part of Range
Minimum to MRP

Upper Part of Range
MRP to Maximum

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Comparison of Total Compensation in the ASEAN Market

Senior Working Level Professional (BG-10)

Annual Total Compensation (equivalent US Dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>25th Percentile</th>
<th>50th Percentile</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>$38,173</td>
<td>$42,778</td>
<td>$54,464</td>
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<tr>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Philippines</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Laos</td>
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<td></td>
<td></td>
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<tr>
<td>Cambodia</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Myanmar</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Lower Part of Range: Minimum to MRP
Upper Part of Range: MRP to Maximum

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Typical "Pay Mix"
BG-10 Working Level Professional

Thailand
Philippines
Malaysia
Vietnam
Indonesia
Cambodia
Laos
Myanmar

75% 80% 85% 90% 95% 100%

Base  Cash Allowance  Variable Cash  In-Kind Benefits

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Our Solutions

• Salary and benefits surveys
• Salary scale design
• Job evaluation, competencies and performance management solutions using our Community™ system
• Consulting on compensation, expatriate management, HR policy and organization design
• Expatriate allowance data
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- Developing Markets Compensation and Benefits LinkedIn Group
- International HR Forum http://www.internationalhr.wordpress.com