

Living Wage Update: October 2019

Dominican Republic

Rural Banana-Growing Regions



Living wage per month
RD\$17,562 (USD 337)



Cost of decent standard
of living for a family
RD\$ 27,456 (USD 527)



Photo by Yessenia Soto, Rainforest Alliance

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1. BACKGROUND

This report updates the living wage and living expenses for the banana growing rural regions of the Dominican Republic.²

The net living wage and living expenses are updated to the study month of the most recent calendar year—October 2019—to take into account the amount of inflation since the original October 2013 living wage study. Without accounting for inflation, the net living wage estimated in 2019 would not be sufficient for workers to have a basic but decent standard of living in 2019 because the purchasing power of the living wage would have decreased compared to what it was in 2013. Similarly, living expenses for a reference family are also updated to October 2019 to account for inflation.

The gross living wage is updated to October 2019 by taking into consideration, in addition, income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using October 2019 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN OCTOBER 2013 AND IN THE UPDATE REPORT FOR MAY 2017

The original living wage country report estimated the net living wage as RD\$14,121 in October 2013. This was the required take-home pay for workers for decency in October 2013. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as RD\$14,956 in October 2013. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as RD\$23,382 in October 2013.

¹ Prepared by Fairtrade International (Aaron Petri), guided by the Collective for Social Science Research, Karachi, Pakistan (Kabeer Dawani) and with Richard Anker and Martha Anker.

² This is an update to *Living Wage Benchmark Report for Rural Dominican Republic*, October 2013. Martha Anker and Richard Anker. <https://bit.ly/39EDNPR>

3. INFLATION RATE USED FOR UPDATE

The Banco Central Republica Dominicana³ is the government body responsible for reporting price indexes in the Dominican Republic. The Central Bank receives their data from ONE (Oficina Nacional de Estadística). ONE computes and reports national inflation rates as well as disaggregated by region and quintile. In line with the previous update, this report uses the inflation rate for the 40th percentile of the household expenditure distribution. This is because the banana workers in the Dominican Republic studied in the original report fall into this income level. This inflation rate is above the national average and the relevant regional inflation rate, because inflation in food prices has been higher than for other goods and services, and workers earning a living wage spend a higher percent of their income on food than better-off persons.

4. RECENT LEVEL OF INFLATION

Annual inflation rate in the Dominican Republic has been low in the last 6 years, ranging between 1.16% and 4.76%, with no clear pattern of variation. The total national inflation from October 2013 to October 2019 has been 15.37%. For households at the 40th percentile, inflation from October 2013 to October 2019 was 17.42%.⁴ This is the inflation rate used for this update.⁵

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

There continues to be a mandatory payroll deduction of 5.91% for social security, just as in 2013. There are no additional income taxes or deductions applicable. Deductions from pay were RD\$835 in 2013 and RD\$981 in 2019.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR OCTOBER 2019

The updated net living wage, or take-home pay, for October 2019 is RD\$16,581 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RD\$17,562 per month for October 2019. When updated for inflation, the living expenses for a reference family is RD\$27,456 per month in October 2019. Table 1 provides details of the original and the updated living wages and family living expenses. The updated family living expenses and

³ <https://www.bancentral.gov.do/>

⁴ We arrived at the inflation rate for the 40th percentile by averaging the inflation rate for the 2nd quintile (18.0%) and the 3rd quintile (16.85%).

⁵ Please note that since the previous update was for a non-study month, we have updated the benchmark from the original report so as to update directly from the same month across years. This also avoids issues of possible seasonality in prices.

living wage in U.S. Dollar⁶ remain almost the same as in 2013, because depreciation of the Dominican Peso has been almost the same as the amount of inflation between October 2013 and October 2019.

Table 1: Living wage and living expenses for banana growing regions in rural Dominican Republic for October 2013 and October 2019 (in Dominican Pesos and U.S. Dollars)

	October 2013 (Original study date)		October 2019 (Latest study date)	
	Dominican Pesos	USD	Dominican Pesos	USD
Living Expenses for Reference Family Per Month	RD\$23,382	\$538	RD\$27,456	\$527
Net Living Wage Per Month	RD\$14,121	\$325	RD\$16,581	\$318
Income Taxes and Payroll Deductions Per Month on Living Wage	RD\$835	\$19	RD\$981	\$19
Gross Living Wage Per Month	RD\$14,956	\$343	RD\$17,562	\$337
Exchange Rate to USD	43.48		52.14	
Source of Exchange Rate	Original Report		XE.com	

⁶ <https://www.xe.com/de/currencycharts/?from=USD&to=DOP&view=10Y>. The exchange rate for the three months bracketing October 2019 have on average been 52,13948.