

Living Wage Update: June 2021

Dominican Republic, rural areas



Cost of decent standard
of living for a family
RD\$ 29,115
(USD 510)



Gross Living Wage per
month
RD\$ 18,622
(USD 327)



Photo by Yessenia Soto, Rainforest Alliance.

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1. BACKGROUND

This report updates the living wage and living expenses for the rural part of the Dominican Republic up to June 2021 to take into account the amount of inflation since the original October 2013 living wage study.²

Without accounting for inflation, the net living wage estimated in 2021 would not be sufficient for workers to have a basic but decent standard of living in 2021, 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 June 2021 to account for inflation.

The gross living wage is updated to June 2021 by taking into consideration mandatory deductions from pay on the updated living wage. This is done using June 2021 laws.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM MARCH 2016

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.

3. INFLATION RATE USED FOR UPDATE

The Banco Central Republica Dominicana is the government body responsible for reporting price indices in the Dominican Republic.³ The Central Bank receives their data from the National Statistical Office, ONE (Oficina Nacional de Estadística). ONE computes and reports national inflation rates as well as disaggregated by region and quintile.

For this report, the inflation we used is the “inflación subyacente”, since it is the most accurate estimate of inflation as it eliminates the effects of transitory shocks on the price level. The base of the index has been updated to 2019-2020, so we recalculated the former series with base 2010, by dividing all values with the official conversion factor of 1.32848182223636.

¹ Prepared by Lykke E. Andersen and Alejandra Gonzales of SDSN Bolivia, with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Rural Dominican Republic with Focus on Banana Growing Area of the North, October 2013*. Martha Anker and Richard Anker. <https://bit.ly/3rTnuES>.

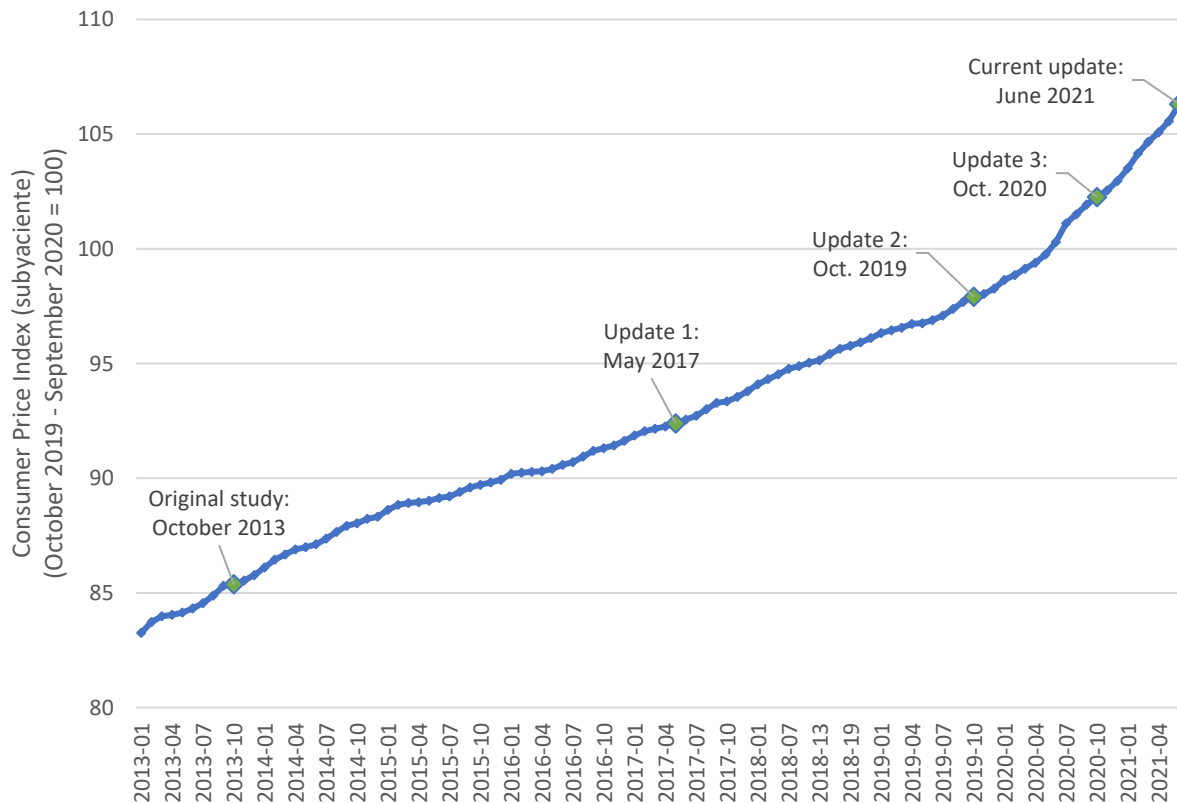
³ <https://www.bancentral.gov.do/a/d/2534-precios>

4. RECENT LEVEL OF INFLATION

Annual inflation in the Dominican Republic has been relatively low since the original study in 2013, at 2 - 3% per year, although that has increased to 5-6% during the COVID-19 pandemic. The total national inflation from October 2013 to June 2021 has been 24.52%.

Figure 2 shows the “National CPI Subyacente” from January 2013 to June 2021. The original study month (October 2013), as well as various update months are highlighted with larger green dots.

Figure 1: General Consumer Price Index for Dominican Republic, January 2013 to June 2021



Notes: Green dots highlight the months of the original study and the updates.

Source: Authors' calculations based on CPI data from ONE.

5. MANDATORY DEDUCTIONS

There continues to be a mandatory payroll deduction of 5.91% for social security (for pensions and family healthcare), just as in 2013. There are no additional income taxes or deductions applicable⁴. Deductions from pay were RD\$835 in October 2013 and RD\$1039 in June 2021.

⁴ Source: <https://taxsummaries.pwc.com/dominican-republic/individual/other-taxes>.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2021

The updated net living wage, or take-home pay, for June 2021 is RD\$17,583 per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is RD\$18,622 per month for June 2021. When updated for inflation, the living expenses for a reference family is RD\$29,115 per month in June 2021. Table 1 provides details of the original and the updated living wages and family living expenses. The updated family living expenses and living wage in U.S. Dollar⁵ is slightly smaller than in 2013, because depreciation of the Dominican Peso has been slightly greater than the amount of inflation between October 2013 and June 2021.

**Table 1: Living Expenses and Living Wages for Rural Dominican Republic
(in Dominican Pesos and US Dollars)**

	October 2013 Original Study Date		October 2020 Update		June 2021 Update	
Exchange rate to USD	43.476		58.452		57.035	
Currency	RD\$	USD	RD\$	USD	RD\$	USD
Living Expenses for Reference Family per Month	23,382	538	28,006	479	29,115	510
Net Living Wage per Month	14,121	325	16,914	289	17,583	308
Income Taxes and Payroll Deductions per Month on Living Wage	835	19.21	1,000	17	1,039	18.22
Gross Living Wage per Month	14,956	344	17,913	306	18,622	327

Source: Authors' calculations.

⁵ <https://www.xe.com/de/currencycharts/?from=USD&to=DOP&view=10Y>