

Living Wage Update Report Rural Dominican Republic June 2022

Living Wage Update Report No. 2022-04-10


 <p>Cost of decent standard of living for a family</p> <p>DOP 31,186 (USD 547)</p>	 <p>Living wage per month</p> <p>DOP 20,017 (USD 351)</p>
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Abstract:

This estimate has been revised to reflect the actual inflation rate in the country during 2022. The 2022 update previously published was calculated with the IMF projected inflation for the year.

This report provides updated estimates of family living expenses and living wages for rural areas of the Dominican Republic. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in October 2013 (Anker & Anker, 2013).

Keywords: Living costs, living wages, Anker Methodology, Dominican Republic.

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report provides updated estimates of family living expenses and living wages for rural areas of the Dominican Republic. The update takes into account the amount of inflation since the original study in October 2013. This is done by updating the October 2013 net living wage and living expenses to June 2022 by inflation. Without accounting for inflation, the net living wage estimated in 2013 would not be sufficient for workers to have a basic but decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to June 2022 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated June 2022 living wage, using the laws in effect by the beginning of 2022.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM OCTOBER 2013

The original living wage country report estimated the net living wage as DOP 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 DOP 14,956 in October 2013. The family living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as DOP 23,382 in October 2013. (Anker & Anker, 2013).

3. INFLATION RATE USED FOR UPDATE

The Central Bank of the Dominican Republic (*Banco Central Republica Dominicana*) is the government body responsible for reporting price indices in the Dominican Republic. 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 rates disaggregated by region and quintile.

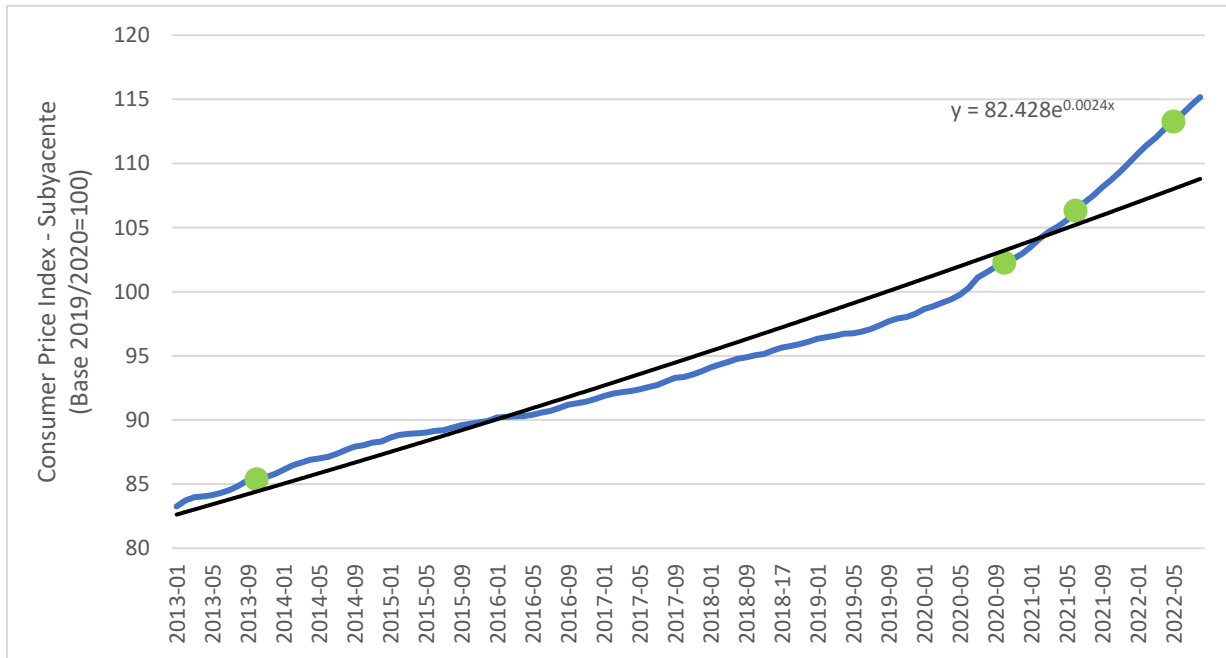
For this report for inflation, we used “*inflación subyacente*”, since it is the most accurate estimate of inflation as it eliminates the effects of transitory shocks on the price level. Furthermore, we used the new CPI series, which has October 2019-September 2020=100 as its base.¹

4. RECENT LEVEL OF INFLATION

Between October 2013 and October 2020, inflation in the Dominican Republic was low averaging 2.8% per year. Lately, however, inflation has increased reaching an annual inflation rate of 7.1% between June 2021 and June 2022. In total, accumulated inflation between October 2013 and June 2022 was 33.4% as shown in Figure 1.

¹ See <https://www.bancentral.gov.do/a/d/2534-precios>

Figure 1: Consumer Price Index *Subyacente* for Dominican Republic from January 2013 to August 2022



Notes: Green circles indicate the months of the original study and updates. The black line is the fitted exponential trendline.

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 applicable. Deductions on a living wage is DOP 1,183 for 2022.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2022

The updated net living wage, or take-home pay, for June 2022 is DOP 18,834 per month. The gross living wage, which also takes into account mandatory payroll deductions, is DOP 20,017 per month for June 2022. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Family Living Expenses and Living Wages for Dominican Republic Rural Banana-Growing Regions (in Dominican Pesos and US Dollars per month)

Currency	Original Study October 2013		Update June 2021		Update June 2022	
	DOP	USD ^a	DOP	USD ^a	DOP	USD ^a
Family living expenses (1)	23,382	538	29,115	510	31,186	547
Net living wage (2)	14,121	325	17,583	308	18,834	330
Income taxes and payroll deductions on living wage (3)	835	19	11,104	19	1,183	21
Gross living wage (4) + (2) + (3)	14,956	344	18,688	328	20,017	351
Exchange rate to USD	43.476		57.035		54.733 ^b	

Note: ^a USD values are indicative only because exchange rates are volatile. ^b Average exchange rate for June 2022.

Source: Authors' calculations.

7. REFERENCES

Anker, R., & Anker, M. (2013) *Living Wage Report for Rural Dominican Republic with Focus on Banana Growing Area of the North*. Available online: <https://bit.ly/3rTNuES>.