



WORKER RIGHTS CONSORTIUM

LIVING WAGE ANALYSIS for the DOMINICAN REPUBLIC

The Worker Rights Consortium (WRC) performed a comprehensive market-basket analysis in order to establish a living wage standard for free trade zone apparel workers in the Dominican Republic. Based on this analysis, the WRC determined that a living wage in the Dominican Republic is 222,042 Dominican pesos per annum. The gross wage necessary to yield this amount as take-home pay is 235,987 Dominican pesos. The current minimum wage in the country (as of early 2010) is 70,200 pesos per annum.¹ In US dollars, and expressed as an hourly wage, the Dominican minimum wage is \$0.84 and the living wage is \$2.83.

In conducting its analysis, the WRC took, as a starting point, the broad agreement among researchers that a living wage should cover the cost of meeting a family's basic needs in the following categories of goods and services: food and water, housing and energy, clothing, health care, transportation, education and childcare, as well as modest funds for savings and discretionary spending. The WRC then developed, through consultations with worker representatives and local experts,² the specific market basket of goods and services, in each of these categories, appropriate to the Dominican Republic. The WRC then measured the actual price of each item in the basket, as available in markets and from vendors and service providers accessible to workers.

In the present document, we provide an item-by-item list of the contents of the market basket developed for the analysis, the price of each item in pesos, the annual and monthly living wage figures generated by the analysis, and the gross wage that must be paid in order to yield a take-home wage that meets the living wage standard. We then provide explanatory notes for each category of goods and services included in the basket. Finally, we provide, for purposes of

¹ Including the mandatory end-of-year Christmas bonus, which is equal to one month's pay.

² In determining the contents of the basket, the WRC consulted with workers, worker representatives, and local experts in the areas of development, economics, free trade zones, health, and nutrition. Among those consulted were individuals affiliated with the Technological Institute of Santo Domingo (INTEC), the Autonomous University of Santo Domingo (UASD), the Center for Research for Feminist Action (CIPAF), and the Economic Research Center of the Caribbean (CIECA), as well as physicians and other hospital staff who serve free trade zone workers.

comparison, the findings of other recent cost of living estimates for the Dominican Republic. Additional explanation and discussion of methodological issues are provided in the footnotes.

The WRC's analysis was completed in October of 2008. Because the primary purpose of the analysis was to determine the minimum wage to be paid at a particular factory (the Villa Altagracia Project factory in the town of Villa Altagracia) and because the agreements related to that project call for an annual cost-of-living adjustment (if there has been an increase in the cost of living), the WRC assessed inflation in the Dominican Republic as of the one-year anniversary of the study's completion, in order to determine whether an upward adjustment was necessary. There was no inflation over the twelve month period, as reported by the Central Bank of the Dominican Republic. The standard has therefore been left unchanged. Inflation will be considered again in October of 2010.

Market Basket Contents, Costs, and Final Living Wage Figures³

HOUSING (2 room house with bathroom and kitchen)	Cost (RD Peso)	Unit	Quantity and Frequency of Replacement	Monthly Cost (RD Peso)
Rent	3375.00	Per house	Once monthly	2,531.25
Bed (mattress, frame, box spring)	6,275.00	1 bed	2 beds, every 10 years	78.44
Bedding (sheets, pillow, pillow cases)	1,711.80	Set	2 sets, once annually	213.98
Table and 4 chairs	8,799.75	1 table	1, every 10 years	55.00
Clothing storage unit	2,816.67	Set of shelves	1, every 5 years	35.21
Other seating (sofa, bench, etc)	8,000.00	1	1, every 10 years	50.00
Tabletop stove	1,798.00	1	1, every 5 years	22.48
Pots and pans (set of 4-6)	1,372.00	Set	1 set, every 2 years	42.88
Dishes (includes glasses and cutlery)	832.75	Set for family	1 set, every 2 years	26.02
Small refrigerator	7,149.17	1	1, every 10 years	44.68
Electric fan	1,121.00	1 fan	1, every 2 years	35.03
Radio	2,196.67	1 radio	1, every 5 years	27.46
Household cleaning supplies	181.38	Monthly cost	Once monthly	136.04
Towels	227.00	1	3, once annually	56.75
Candles	5.00	1	10 monthly	37.50
Water (utility)	0.00	Monthly cost	Once monthly	0.00
Housing subtotal (per month)				3,392.70

³ The WRC assumed a typical family size of four, based on demographic data provided by the World Bank. We also assumed that the family has an additional wage earner whose income covers one quarter of a family's expenses. Thus, the living wage for a full-time worker must be sufficient to cover the expenditures of three of the four family members. The analysis assumes that the three family members whose expenses must be fully covered by the living wage are one adult and two school-age children. The chart includes the costs of each good and service for these three family members, including their portion of the overall household's costs for housing and home energy.

WRC Living Wage Analysis: Dominican Republic

ENERGY (Energy costs are normally included in monthly rent)	Cost (RD Peso)	Unit	Frequency	Monthly Cost (RD Peso)
Electricity	500.00	Monthly cost	Once monthly	375.00
Cooking fuel	520.50	Monthly cost	Once monthly	390.38
Energy subtotal (per month)				765.38

NUTRITION (diet for 1 adult and 2 children)	Cost (RD Peso)	Unit	Monthly Requirement	Monthly Cost (RD Peso)
Rice	21.67	Lb	45.00	975.15
Oil	40.75	Lb	2.40	97.80
Beans	35.00	Lb	8.00	280.00
Pigeon Peas	42.50	Can	5.00	212.50
Potato	17.00	Lb	2.00	34.00
Yucca	14.25	Lb	6.00	85.50
Garlic	62.50	Lb	0.70	43.75
Onion	23.99	Lb	3.10	74.37
Cabbage	27.50	Lb	6.10	167.75
Chayote	5.90	Lb	3.10	18.30
Tomato	40.99	Lb	6.10	250.04
Carrot	17.19	Lb	3.00	51.57
Avocado	14.49	Lb	8.00	115.92
Banana	9.50	Lb	4.00	37.98
Plantain	16.01	Lb	25.00	400.36
Papaya	12.98	Lb	3.10	40.25
Orange	5.79	Lb	6.00	34.74
Chicken	47.00	Lb	10.00	469.97
Salami	65.00	Lb	3.00	195.00
Beef	59.96	Lb	3.00	179.88
Cheese	100.00	Lb	4.00	400.00
Powdered Milk	120.00	Lb	2.60	312.00
Eggs	54.00	Dozen	4.00	216.00
Bread	3.00	Roll	90.00	270.00
Pasta	25.50	Lb	5.50	140.25
Coffee	7.00	Packet	15.00	105.00
Seasoning	5.00	Packet	20.00	100.00
Salt	5.75	Lb	1.00	5.75
Sugar	13.25	Lb	4.00	53.00
Mango	21.25	Lb	10.10	214.63
Lime	8.00	Lb	3.00	24.00
Celery	16.95	Lb	1.10	18.65
Melon	54.95	Lb	3.00	164.85
Pineapple	11.33	Lb	3.00	34.00
Lunch near the factory	66.00	Lunch	22.00	1,452.00
Potable Water	42.50	5 gallon bottle	5.00	212.50
Nutrition subtotal (per month)				7,487.44

WRC Living Wage Analysis: Dominican Republic

CLOTHING	Cost (RD Peso)	Unit	Frequency	Monthly Cost (RD Peso)
Adult (1 adult)				
Shirt/blouse	295.83	1 shirt/blouse	3 per year	73.96
Pants or skirt	440.83	1 pair pants or skirt	3 per year	110.21
T-shirt/undershirt	118.75	1 shirt	3 per year	29.69
Socks	53.33	Pair	3 per year	13.33
Underwear	150.60	Pair	3 per year	37.65
Pajamas	207.50	1 set	1 per year	17.29
Shoes	464.80	Pair	2 per year	77.47
Rubber sandals	135.00	Pair	1 per year	11.25
Child (2 children)				
Shirt	168.33	1 shirt	3 per year per child	84.17
Pants or skirt	271.25	1 pair pants or skirt	3 per year per child	135.63
Underwear	27.19	Pair	3 per year per child	13.60
Socks	40.00	Pair	3 per year per child	20.00
Shoes	343.75	Pair	2 per year per child	114.58
Rubber sandals	78.75	Pair	1 per year per child	13.13
Laundry costs (for 3 people)	114.81	Monthly cost	Once monthly	114.81
Clothing subtotal (per month)				866.75

HEALTH CARE (costs for 1 adult and 2 children)	Cost (RD Peso)	Unit	Frequency	Monthly Cost (RD Peso)
Doctor visit	300.00	1 visit	3 per person per year	225.00
Laboratory analysis	120.00	1 set (blood, urine, fecal)	1 per person per year	30.00
Dentist visit	1,200.00	1 visit	1 per person per year	300.00
Optometrist visit	400.00	1 visit	1 per person per year	100.00
Prescription medication	223.71	Average monthly cost for 3 people	Once monthly	223.71
Over-the-counter medication	225.75	Average monthly cost for 3 people	Once monthly	225.75
First aid supplies	67.45	Average monthly cost for 3 people	Once monthly	67.45
Eye glasses	3,085.00	1 pair	1 pair every 2 years	128.54
Prenatal care/maternity costs	0.00	Total cost per pregnancy	1 birth every 5 years	0.00
Personal hygiene (soap, toothpaste, feminine hygiene)	450.80	Average monthly cost for 3 people	Once monthly	450.80
Health Care subtotal (per month)				1,751.25

WRC Living Wage Analysis: Dominican Republic

EDUCATION	Cost (RD Peso)	Unit	Frequency	Monthly Cost (RD Peso)
Primary school (1 child)				
Primary school tuition fees	0.00	Monthly, per child	Once monthly (9 months/year)	0.00
Primary school uniform cost	1,045.84	1 uniform	Once annually	87.15
Primary school books and materials cost	664.56	Set	Once annually	55.38
Transportation to primary school	18.44	Roundtrip (daily)	Once daily (17 days/month)	313.48
Secondary school (1 child)				
Secondary school tuition fees	0.00	Monthly, per child	Once monthly (9 months/year)	0.00
Secondary school uniform cost	1,270.00	1 uniform	Once annually	105.83
Secondary school books and materials cost	664.56	Set	Once annually	55.38
Transportation to secondary school	18.44	Roundtrip (daily)	Once daily (17 days/month)	313.48
Education subtotal (per month)				930.71

TRANSPORTATION	Cost (RD Peso)	Unit	Frequency	Monthly Cost (RD Peso)
Transport for worker to and from factory	55.00	Roundtrip (daily)	Once daily (22 days/month)	1,210.00
Transport to stores/market	57.50	Roundtrip	Once weekly	249.16
Transport to hometown	672.00	Roundtrip	Once annually, 3 people	168.00
Transportation subtotal (per month)				1,627.16

SUBTOTAL (per month)				16,821.39
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Discretionary (2.5%)	420.53
Savings (7.5%)	1,261.60

WRC Living Wage Analysis: Dominican Republic

MONTHLY TOTAL	18,503.53
ANNUAL TOTAL	222,042.33
NET MONTHLY LIVING WAGE⁴ (Based on 13 months of pay per year) ⁵	17,080.18
GROSS MONTHLY LIVING WAGE (Before mandatory payroll deductions)	18,152.99

Comparison of Living Wage to Dominican Minimum Wage, in RD Pesos and US Dollars

DOMINICAN MINIMUM WAGE (monthly)	5,400.00
LIVING WAGE (monthly, gross pay)	18,152.99
LIVING WAGE AS % OF MINIMUM WAGE	340%

In US Dollars:⁶

DOMINICAN MINIMUM WAGE (monthly)	\$147.95 (\$0.84/hour)
GROSS LIVING WAGE (monthly)	\$497.34 (\$2.83/hour)

Explanatory Notes and Description of Expenditure Categories

Nutrition: These expenses were calculated by determining the monthly cost of a representative diet that is adequate both in terms of caloric intake (minimum 2200 calories per day, as suggested by experts on local diet and nutrition) and basic nutritional needs, according to standards established by the United Nations Food and Agriculture Organization. Costs indicated for each food item are representative of the prices of these typical food items when purchased by workers at local markets. The cost of drinking water is also included in this category.

⁴ It is important to note that living wage is a net (or take-home) wage: to achieve this standard, the employer must pay a gross wage that yields a living wage *after* mandatory deductions from a worker's pay. In the Dominican Republic, there are mandatory deductions for health care and retirement only (workers at the relevant income level do not pay any income tax). In the aggregate, the deductions for health and retirement total 5.91% of a worker's gross pay. Thus, in order to meet the living wage threshold, the employer must provide a gross wage equal to the living wage plus 6.28%.

⁵ Under Dominican Law, employers are required to pay an additional month of salary each year as an annual bonus, paid at Christmas time. This is a mandatory payment that is received by all workers regardless of job performance or level of production. Because all workers receive this payment, it is taken into account when determining the monthly pay needed to achieve the annual living wage threshold. Thus, the monthly pay level needed to achieve the threshold is one-thirteenth, rather than one-twelfth, of the annual total.

⁶ Based on Interbank exchange rate, as of June 24, 2010.

Housing: This includes the cost of rent and basic household items. The cost of rent reflects a figure that would provide workers with basic housing that is the minimum adequate for a family of average size (normally two bedrooms, a small living room, kitchen, and bathroom). Basic furniture items included are beds, a table and chairs, some additional seating, and one set of drawers for clothes and other storage. The kitchen appliances consist of a tabletop stove, a one-door compact refrigerator for food storage, and basic cookware and dishes. Housing costs also include the price of a radio and an electric fan.⁷ Because the majority of free trade zone workers do not pay for water services, a monthly water payment is not included in the housing costs. A figure for cleaning costs (bleach, dish soap, mop, a sponge, etc.) is included. The expenses in this category assume that workers live with their families in a dwelling near their factory.

Energy: Energy costs include electricity and cooking fuel, with the latter in the form of propane gas, which is typically purchased by the tank.

Clothing: The costs allocated are adequate to allow each family member to purchase three sets of clothing per year, including socks and underwear, and two pairs of shoes. School uniforms are included under educational expenses.

Health Care: The following items are included: doctor visits (three per person per year), the most common laboratory analyses (one set per person per year), dentist visits (one per person per year), optometrist check-ups (one per year for one family member), the cost of common prescription and over-the-counter medications (average monthly costs), and eye glasses (one pair every two years for one family member). The cost estimates assume that family members use local clinics where medical insurance, provided under the national health system, is accepted, and include only the additional out-of-pocket expenses (such as co-pays) typically borne by a family. This category also includes figures both for in-home first aid supplies and personal hygiene expenses such as soap, toothpaste, and feminine hygiene products.

Prenatal care and maternity costs (assuming one birth every five years) are assumed to be zero, because prenatal care and the associated medical costs of childbirth are covered completely by the insurance system at local maternity hospitals.

Education: Educational expenses were calculated for one child of primary school age and one child of secondary school age, both attending public schools. The figures include the purchase of required uniforms, books and materials, and transportation to and from school each day. There are no additional fees for public schooling in the Dominican Republic beyond the costs of the above items.

Potable Water: This category is subsumed into nutrition, which includes the cost of drinking water.

⁷ The cost estimates for all durable goods are based on the lowest local price of new items reaching an adequate level of quality so that they would remain functional over the course of time noted. The cost is then distributed over the lifetime of use of that item.

Child Care: A figure for child care expenses is not included in this living wage estimate, because the education category covers the cost of schooling for two children. If one or both of a worker's dependents are below primary school age, the money allocated for education-related costs could be spent instead on child care.

Transportation: Three transportation expenses are included: 1) transportation to and from the factory for the worker, multiplied by the average number of work days in a month, 2) transportation to and from markets or stores where workers purchase food and other goods, once per week, and 3) transportation to a worker's hometown once per year for the purpose of an annual family visit. The latter is included because most apparel workers have migrated away from their extended families for reasons related to employment or marriage.

Savings and Discretionary Spending: After the living wage is calculated based on the categories outlined above, an additional 10% is added for discretionary spending (2.5%) and savings (7.5%). The savings portion is intended to enable a family to maintain a cushion against emergencies and to save for substantial future expenses, such as university education. The discretionary portion is intended to ensure that a family has a modicum of funds for occasional expenditures they may choose to make, but which are not included in the living wage calculation – such as religious observance, adult education, and leisure activities. It should also be noted that workers in the Dominican Republic are also covered by accident insurance, which pays their medical expenses and disability leave if they suffer a work-related illness or injury, and by the national retirement program.

Other Cost of Living Data for the Dominican Republic

For purposes of comparison, the WRC consulted previous cost of living analyses by the Central Bank of the Dominican Republic, the Dominican Republic office of the United Nations Development Program, the Dominican Government's National Office of Statistics, and three of the country's central trade union bodies: CNUS, CASC, and CNTD. This review showed that the WRC's living wage calculation falls near the middle of the range defined by other credible estimates. For example, the most recent Central Bank calculation for the cost of a basket of goods and services for five persons was 18,021 pesos per month in 2006, which adjusted for inflation is 20,629.87 pesos as of the date of the WRC's analysis – somewhat lower, on a cost-per-person basis, than the WRC's figures. A joint study released on October 2, 2008 by the Dominican trade union central bodies estimated the cost of basic goods for a family of three at 27,106 pesos per month (\$690.30 US), somewhat higher than the WRC's figures.