

Executive Summary

Living Wage for Rural Dominican Republic with Focus on Banana Growing Area of the North¹

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BACKGROUND

This paper estimates a living wage for rural Dominican Republic with a focus on banana growing region in North of Dominican Republic. It uses a new methodology developed by the authors that builds and improves on their earlier work on living wages published by ILO (see Anker, 2006 and Anker, 2011). This new methodology has been used so far to estimate a living wage for urban areas in 9 countries for a multi-national corporation as well as for rural areas of Western Cape Province South Africa for Fairtrade International (Fairtrade). The present report for Dominican Republic was supported by Fairtrade and Social Accountability (SAI) as part of their memorandum with GoodWeave. They were joined later by three other organizations and members of the ISEAL Network of standard setters (Forest Stewardship Council, Sustainable Agriculture Network/Rainforest Alliance, and UTZ Certified). In their common declaration for a “Shared Approach to Living Wage” these organizations have committed to “adopt a common definition of living wage and apply a common methodology to estimating living wage levels ... with long term goal and shared mission of these six organizations to see improvements in workers’ conditions, including wage levels, in the farms, factories and supply chains ... by seeking support from brands, buyers, and retailers to make wage growth possible at the primary production level possible and ... working together with the relevant stakeholders.”

The idea of a living wage is that workers and their family should not have to live in poverty. But a living wage should do more than simply keep workers and their families out of poverty. It should also allow them to participate in social and cultural life. In other words, wages should be sufficient to ensure that workers and their families are able to afford a decent basic life style considered acceptable by a society at its current level of economic development.

DEFINITION

The common working definition of a living wage of Fairtrade, SAI and the other four standard setting organizations is:

“Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living of the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events”.

Workers should earn a living wage during normal working hours without having to work overtime.

ESTIMATION PROCESS

Our estimate of a living wage is based on cost for a family of a nutritious diet, cost of basic acceptable decent housing, and cost of all other needs at a decent level. A small margin above this total cost of a basic but decent life style is then added to help provide for unforeseen events such as illnesses and accidents to help ensure that common unforeseen events do not easily throw workers into poverty. This total cost is then defrayed by the average number of full time workers in the family.

EXECUTIVE SUMMARY

Considerable thought and effort was put into making this living wage estimate. This included visits to workers' houses; visits to markets where workers shop for food; discussions with farm workers, discussions with small farm owners, cooperative officials and plantation managers and owners; discussions with various key informants such as municipal officials, trade union members, university professors, architects and others. This also included many papers, reports and statistics from researchers, government agencies, and international organizations.

FAMILY SIZE AND NUMBER OF WORKERS PER FAMILY

For Dominican Republic, we used a family size of four (two adults and two children) to measure household expenses, and defrayed family living costs over an average of 1.67 workers per couple based on labor force participation rates, unemployment rates, and part-time employment rates in rural Dominican Republic.

ESTIMATES FOR FOOD, HOUSING, AND ALL OTHER EXPENSES

Food costs were estimated to be RD\$81.26 per person per day for a family of 2 adults and 2 children. This was estimated using a model diet and local food prices. Housing costs were estimated to be RD\$3,650 per month consisting of approximately RD\$2,000 for rent, RD\$700 for electricity, RD\$850 for LPG cooking fuel, RD\$50 for water, and a token RD\$50 for minor repairs/maintenance. The total cost for all non-food and non-housing costs was estimated at RD\$8,732 per month. This covers clothing and footwear; household furniture, contents and appliances; health care; education; transportation; communications; recreation and culture; eating away from home; and miscellaneous goods and services such as insurance, bank services, funerals and personal care.

IN-KIND BENEFITS

Our living wage allows for some in-kind benefits to be considered as partial payment of the living wage, provided they are (i) regular (so workers could count on receiving benefit); (ii) considered of value by workers; (iii) customary in that a reasonable percentage of plantations/farms provide the benefit and workers receive it; and (iv) worth at least around RD\$2,000 per year per worker for practical purposes and to avoid becoming petty. To be considered as partial payment of living wage, minimum standards of decency as regards the benefit also had to be met.

In Dominican Republic, many plantations provided free transport and free or subsidized meals to workers. To assign a value to an in-kind benefit, we used the minimum of cost to the plantation (so that owners could not profit by providing in-kind benefits) and cost to the worker if the benefit was not provided. We estimated that free transport cost farmers on average RD\$250 per month per worker, and that a free breakfast was worth on average RD\$28, and a free lunch was worth on average RD\$50.

LIVING WAGE ESTIMATE OF REQUIRED TAKE-HOME PAY FOR RURAL DOMINICAN REPUBLIC

Our living wage estimate for rural Dominican Republic of the take home pay necessary is RD\$13,869 per month for October 2013 (and so \$319 at exchange rate at time of this report of 43.5). This was before considering the

EXECUTIVE SUMMARY

value of in-kind benefits such as free transport and meals that are commonly provided by plantations and farms. (The living wage estimate was RD\$11,966 for plantations and farms that provide decent free transport as well as free breakfast 6 days per week and free lunch 5 days per week.)

These living wage estimates are much higher than the statutory minimum wage in agriculture (RD\$5,577) and the prevailing wage on Fairtrade plantations (RD\$5,944). While this might appear to indicate that our living wage is too high and so overly generous, this is far from reality. Our living wage estimates are not much higher than what the President of the Dominican Republic recently referred to as a misery wage (RD\$10,000), the wage implied by government's poverty line for rural Dominican Republic (RD\$9,774), and the minimum wage for large enterprises in non-specified sectors (RD\$11,292). Furthermore, our living wage estimates are below average wage in the private sector (RD\$15,451) and well below the inflation adjusted living wage for free trade zone apparel workers in Dominican Republic estimated by the Worker Rights Consortium (RD\$23,813).