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DOMINICAN REPUBLIC

The following are summaries of economic measures taken by the Dominican government regarding wages and labor matters.

I. MAY 26 TRIPARTITE AGREEMENT

A tripartite agreement dealing principally with wages and labor matters was signed by government, labor, and management representatives on May 26, 1988. This document was the product of an unprecedented process in the Dominican Republic. Following this Legal Memorandum is Appendix A, an English translation of the text.*

The effects of high inflation and devaluation of the peso caused significant distortions in wage and labor benefits in the country. In an effort to avoid strikes and public demonstrations, the Catholic Church offered to act as mediator among the three principal interested parties: labor, management and government. Such sectorial negotiations were a new phenomenon in Dominican history.

The dialogue had no legislative framework. It is even questionable whether the May 26 Agreement is binding upon its signatories. Its political importance, however, should not be underestimated. The document obligated the three signatories to seek legislative implementation of the points on which consensus was reached. These not only included the hotly debated issue of minimum wage, but also reflected agreement on the extension of social security benefits to workers' families, reduction of income taxes for low income workers, modifications to the labor code, and changes to the pension system administered by the social security authority.

The government and the labor unions pressed for quick implementation through legislative changes. It would be surprising to see private sector resistance, even from those companies which were not represented.

* English translation prepared by Kaplan Russin Vecchi & Heredia Bonetti from text as published in *Listin Diario*, May 27, 1988.

The Agreement contemplated a continuation of the tripartite dialogue through the creation of a prominent secretariat associated with the Catholic Church. If the process in fact continues, it would create a new mechanism outside traditional collective bargaining agreements to deal with issues of wage and labor benefits.

II. STRENGTHENING THE FREE MARKET EXCHANGE RATE

On June 1, 1988 the Monetary Board of the Central Bank adopted a resolution which increased the availability of the free market exchange rate to previously limited activities. Under prior rules, a number of private sector activities were limited to the official exchange rate when converting dollars to pesos. Just prior to the Central Bank's action, the official exchange rate was US\$1.00 = RD\$5.10; the free market exchange rate was approximately US\$1.00 = RD\$6.30.

The principal beneficiaries of the new ruling were companies operating in industrial free zones that are required to purchase pesos by converting dollars to local currency under Central Bank supervision, and Dominican manufacturers and exporters who previously received the proceeds of their dollar sales abroad in local currency converted at the official exchange rate. The ruling, in addition to correcting an unnecessary distortion, brought the foreign exchange rules of the Central Bank closer to the norms advocated by the International Monetary Fund.

Under the new ruling, however, the official exchange rate was not abolished for all purposes. For public sector purchases in foreign currency, such as petroleum imports by the government-owned electric company and the repayment of official debt, the government was only required to pony up RD\$5.15 for each dollar of foreign exchange purchased.

APPENDIX A

The Government, Central Labor Unions, and Private Sector Entities, as participants in the Tripartite Social Dialogue which has developed through the mediation of the Conference of Dominican Bishops, represented by His Excellency, the Metropolitan Archbishop of Santo Domingo, His Grace Nicolás de Jesús López Rodríguez, President of the Conference, its Secretary General, Reverend Father Francisco José Arnais, and by His Grace Agripino Nuñez Collado, Rector of the Pontificia Universidad Católica Madre y Maestra, host institution for the Dialogue, are convinced of the urgent necessity to unite forces to discover practical solutions, as quickly as possible, to the pressing economic and social problems of the Dominican population and, especially, for the low income sectors. The Dialogue is timely and necessary in order to avoid the deterioration of the climate of coexistence which is basic to the development of the country.

The immediate objective of the Tripartite Dialogue, in the existing circumstances, is to confront the high cost of living, to protect the purchasing power of salaries and of national currency, and to adopt various anti-inflationary measures which will contribute to the stabilization of the Dominican economy and others which will assist economic and social development.

In the dialogue sessions, which have taken place, up to the present in the Saint Thomas Aquinas Building of the Pontificia Universidad Católica Madre y Maestra, the sectors obligating themselves in the dialogue have reached consensus on various points, and as a result of these agreements, have decided, in order to formalize their undertakings and intent, to sign this document, by which they give faith and recognize such obligations agreed upon up to this point and which are set forth below.

1. The parties participating in the Tripartite Dialogue accept the undertaking to extend Social Security to the families of workers, for which purpose a technical-financial actuarial study will be urgently drafted, to be completed at the latest by December 31, 1988. The Catholic Church agrees to carry out this study.

2. The parties to the Dialogue approve modification of Law 5911 on Income Taxes to benefit the lowest income sectors. They also agree that the collection system be made more efficient so as to increase the number of taxpayers and tax collections. For that purpose a Tripartite Technical Commission will undertake the

preparation of a draft law to be presented to the National Congress, through the executive power, in the next legislative session.

3.1 The participating parties which make up the Tripartite Dialogue: Government, Central Trade Unions and Private Sector Enterprises, have agreed that the salaries to be applied by establishments governed by the Labor Code and complementary laws shall be as follows:

a) For companies which have installations and/or inventory of more than RD\$100,000.00 a minimum wage of RD\$500.00 per month, shall be established plus increases of RD\$150.00 for all workers who receive salaries between RD\$350.00 and RD\$1,500.00.

b) For companies which have installations and/or inventories of less than RD\$100,000.00 the minimum wage shall be set at RD\$350.00 per month.

c) For agricultural workers the minimum wage shall be fixed at RD\$12.00 per day.

d) The parties to the Dialogue approve the creation of a Tripartite Commission which will present a draft law to the next legislative session proposing a modification of Law 5235 regarding Christmas Bonus [Regalía Pascual], to require the payment of one month salary for this concept to all workers.

e) Salary increases which have occurred during the course of the present year and those contemplated or established in collective bargaining agreements for working conditions for the year 1988, shall be taken into account and deducted from the salary increases to be established.

f) Those salaries which, by agreement between employers and employees in collective bargaining agreements or agreements of any other type, are superior to the minimum salaries and increases established in this resolution, shall be continued in accordance with the provisions of Article 207 of the Labor Code.

3.2 The minimum wage and the increases agreed upon shall be applicable notwithstanding the type of work or the form of compensation for such work, which shall be forwarded to the National Wage Committee for appropriate approval in accordance with existing legal provisions.

3.3 It is also agreed that such salary shall be effective and shall be given retroactive application to April 1, 1988, notwithstanding the law does not so require.

4. The parties to the Dialogue approve the modification of Article 69 and 78 of the Labor Code and, consequently, a Tripartite Technical Commission shall present, as quickly as possible, a text for approval by the three parties to be forwarded to Congress, by way of the Executive Power, in the next legislature.

5. The participants agree that their representatives shall be incorporated in the management groups of all official institutions and organizations where the three parties are active factors or elements. In cases where required, corresponding draft laws shall be prepared to be introduced in the next legislative session.

6. The parties to the Dialogue respectfully request the Board of Directors of the Dominican Institute for Social Security to increase, as quickly as possible, the stipends for retired and pensioned workers; they recommend that the minimum pension be set at RD\$275.00 per month, and that a proportional scale be established for every pensioner in excess of this minimum, and they also recommend that this be made effective as of August 1, 1988.

7. The parties to the Tripartite Dialogue reiterate their willingness to continue in the search for new agreements which will aid in the development of the economic activities of the country and for improvement in the quality of life, and in this sense, they agree to create a permanent secretariat under the mediating aegis of "The Church" whose functions shall be as follows:

a. Always by means of tripartite commissions to study measure which have been proposed recognizing convergences and divergences and presenting alternatives to the divergences.

b. To deliver to the three parties their proposals for study and counteroffers.

c. To deliver the final results to the mediator table when an implicit consensus or the possibility of a consensus exists. The mediator table will then call for a Plenary Assembly of the participants in the Dialogue for shadings and to obtain consensus. This will thereby facilitate the process and avoid frustrated Plenary Assemblies.

Done and signed in four (4) originals of the same validity and effect, one for each of the parties. In Santo Domingo, National Dis-

trict, Dominican Republic, on the twenty-sixth (26th) day of the month of May of the year nineteen hundred and eighty eight (1988).

JONATHAN RUSSIN
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Abogados
Santo Domingo, República Dominicana