



► Social Protection in Action: Building Social Protection Floors for All

2022

Dominican Republic: Extending social security to the workers in the informal economy

Summary

The trade union-supported Mutual Association of Solidarity Services (AMUSSOL) in the Dominican Republic facilitates access to the public social insurance scheme for workers in the informal economy and other categories of vulnerable workers.

In the Dominican Republic, Law No. 87-01 of 2001 provides that self-employed workers should be covered by a mixed contributory-subsidized scheme under the Dominican Social Security System (DSSS). However, enforcement of this law remains a challenge, as the scheme has not yet been implemented. To facilitate coverage for those workers, the Dominican Trade Union Confederation (CASC) founded AMUSSOL in 2005, which currently works in collaboration with 174 organizations of informal economy workers (trade unions, cooperatives and associations). By assuming the intermediary role between workers and the

social security institution, AMUSSOL facilitates the registration and collection of social security contributions from its members and transfers them to the DSSS. AMUSSOL members have access to employment injury insurance, old-age, disability and survivors' benefits, as well as health insurance for both workers and their families. In 2021, AMUSSOL covered about 89,454 people, of whom 24,169 are insured members and 65,464 are dependent family members.

In addition to facilitating registration and contribution collection, AMUSSOL also facilitates the formalization of informal economy units and enterprises. AMUSSOL not only supports informal economy enterprises in overcoming the administrative burden required to formalize their activities but also collects the social security contributions of the enterprise and its workers once they have been formalized. By the end of 2020, it had facilitated the formalization of about 796 informal economy microenterprises (WSM 2021).

Social Protection Floors Recommendation, 2012 (No. 202)

SDG 1.3 aims to implement nationally appropriate social protection systems and measures for all, including floors, and by 2030, achieve substantial coverage of the poor and the vulnerable.

Social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

187 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), to achieve universal social protection.

AMUSSOL helps to improve social inclusion, including of persons in the informal economy, and respects collective bargaining and freedom of association for workers, two guiding principles of the Social Protection Floors Recommendation, 2012 (No. 202).

This experience is a concrete example of how workers organizations can contribute to the extension of social security coverage to the workers in the informal economy and contribute to the transition towards formalization.

Main lessons learned

- Thanks to the support of AMUSSOL, workers in the informal economy can contribute to the DSSS and thereby access employment injury insurance, old-age, disability and survivors' benefits, as well as health insurance.
- Workers' organizations can play an important role in facilitating the extension of coverage to workers in the informal economy through collective registration agreements. Such mechanisms allow own-account workers – who usually have limited administrative capacities – to enter collective agreements with a social insurance scheme.
- The example of AMUSSOL shows the importance of awareness-raising and the effective participation and involvement of relevant stakeholders in promoting gender equality and women's right to social protection.
- AMUSSOL facilitates the formalization of informal economy units and enterprises. In addition to supporting informal economy enterprises in overcoming the administrative burden required to formalize their activities, it also collects the social security contributions of the enterprise and its workers once they have been formalized.

Background

In 2001, the Dominican Government passed Law No. 87-01¹ to put in place a social security system in the country. Previously, only 20 per cent of the population had access to social security. According to this Law, the DSSS is to provide three main social security branches, each managed by a separate social security institution, to its affiliated members:

- (i) **Family health insurance.** The benefit package is uniform across all members. It provides free access to healthcare (both public and private health services) and covers health-related costs for affiliated members and their dependants. More specifically, it provides:
 - free access to emergency services;
 - 85 per cent of hospitalization costs and any additional expenditure (accommodation, food and so on);
 - 80 per cent of medical consultation costs; and
 - 80 per cent of the cost of medicines.

- (ii) **Employment injury insurance.** It covers the costs of medical consultation, medicines, hospitalization, rehabilitation, prostheses and appliances in the event of work accidents. The DSSS directly bears the costs and hence the beneficiaries do not have to pay the full bill in advance to the hospital, pharmacy or to the doctor. They have a co-payment of 15 to 20 per cent of the bill.
- (iii) **Old-age, disability and survivors' pensions.** These provide income replacement in the event of old age, disability and widowhood.

Description of the DSSS

Law No. 87-01 sets out three social security regimes:

- **A mandatory contributory regime**, which covers all salaried workers in the public and private sector. The contribution is equivalent to 21.4 per cent of the worker's wage and is financed by employers and workers (70:30, respectively). The beneficiaries are entitled to join all the DSSS branches (employment injury insurance, old-age, disability and survivors' benefits, as well as health insurance).
- **A subsidized regime**, which covers self-employed workers whose earnings are below the national minimum wage, as well as unemployed persons and persons with disabilities. This regime provides basic health coverage (only public health services and limited access to emergency health services), which is less comprehensive than the benefit package provided under the contributory regime. The scheme does not include employment injury insurance or pensions.
- **A contributory-subsidized regime**, which covers self-employed workers whose earnings are higher than or equal to the national minimum wage. The contribution is based on the rate paid by workers in the formal sector (21.4 per cent of their salary). According to the Law, this regime provides access to all the DSSS branches and contributions should be partially subsidized by the State. A decision on the degree of subsidization by the State is still pending and as a result this regime is not yet in place.

To extend coverage to self-employed workers, CASC set up AMUSSOL in 2005. Workers can affiliate to AMUSSOL individually or collectively via a trade union, an association or a cooperative (see box 1). Trade unions, associations and

¹ Dominican Republic, *Ley No. 87-01 que crea el Sistema Dominicano de Seguridad Social*, 2001.

cooperatives manage their members' contributions and make a single payment to AMUSSOL corresponding to each member's instalments. They pay periodic contributions to AMUSSOL on behalf of the self-employed, equal to 22.4 per cent of their earnings, which represents 21.4 per cent of their salary and an additional 1 per cent to cover the operating expenses of AMUSSOL, such as salaries of employees, offices and other costs. This means that affiliated workers need to pay both the employee's and the employer's shares of contributions, which may not be affordable for many workers and thus not incentivize them to join the regime. AMUSSOL channels the contributions to the national treasury. To date, 174 organizations are affiliated with AMUSSOL.

► **Box 1. Collection of contributions in the Dominican Republic's AMUSSOL scheme**

AMUSSOL implements different mechanisms to collect social security contributions, depending on the work or activity of the informal economy worker, the way this activity is done and the type of affiliation (individual or through a trade union, a cooperative or an association).

For example:

1. In the transport sector, contributions are raised on a daily basis. Every transport "unit" (bus, public car, and so on) pays a contribution for the owner of the vehicle, the driver and the collector. The contributions are raised through the union, which transfers them monthly to AMUSSOL.
2. Contributions paid by rural workers can be collected each trimester or semester, after the harvests.
3. On an individual basis, informal economy workers can pay their contributions on a monthly basis by bank transfer, check or cash at one of the AMUSSOL offices throughout the country.

Affiliation to AMUSSOL follows a procedure that includes an introductory conversation with potential members; information sessions on rights, benefits and engagements; and an assessment of the potential beneficiary, including the area of work, in order to define/estimate the income level and periodicity of the contribution.

AMUSSOL allows self-employed workers to benefit from sickness and maternity cash benefits in the same way that formal workers do. The benefits are paid by the Health and Labour Risks Superintendency to the affiliated workers through AMUSSOL. Adult offspring, parents or grandparents

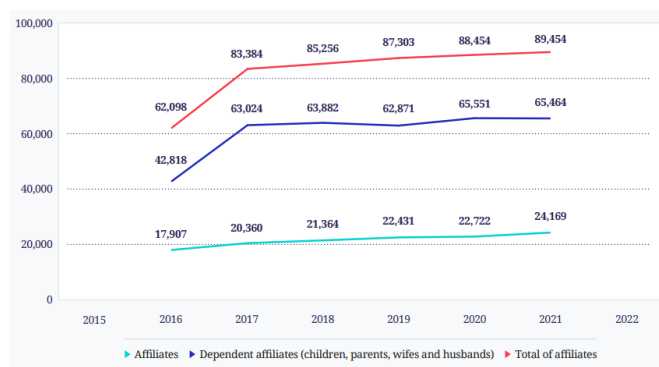
may also enjoy access to family health insurance for an additional contribution of 1,200 pesos (about US\$20) per month and per person. AMUSSOL also provides additional services, such as insurance for funeral costs.

To boost affiliation, AMUSSOL has put significant efforts into promoting and raising awareness of the importance of social protection. A 1 per cent share of the contributions allocated to AMUSSOL is used to develop promotional activities on social protection (such as campaigns, awareness-raising activities, training and so on) and to support the organization of informal economy workers in trade unions and associations, as an important step in promoting their right to social protection.

Impact of the initiative

In total, AMUSSOL counted 89,454 affiliates in 2021 who were covered by the DSSS (figure).

Figure. Membership of the Dominican Social Security System through AMUSSOL, 2016–2021



► Note: Values as of 31 August 2021.

Most AMUSSOL affiliates represent the following sectors and/or occupations:

- transport workers;
- market and street vendors;
- hairdressers and beauty salons;
- microenterprises of all kinds, up to a maximum of three people; and
- independent farmers.

AMUSSOL also covers self-employed workers whose activity is declared, who pay taxes and are registered in the National Register of Contributors but are not eligible to apply to the contributory scheme because they do not have an employer.

Although domestic workers should be covered by the contributory regime as they have one or multiple employers, most of them are not declared. Responding to this situation, AMUSSOL has allowed domestic workers to

join the scheme through their trade unions. While this is an important step in facilitating their coverage, domestic workers end up paying both the employee's and employer's contributions. Recent efforts to include domestic workers resulted in the affiliation of 2,461 domestic workers in the social security system by the end of 2020. Thanks to their social security affiliation through AMUSSOL, these "registered" domestic workers could benefit from the government support package during the COVID pandemic at the same level of formal workers. This initiative has contributed to promoting gender equality (see box 2).

► **Box 2. Promoting gender equality through the Dominican Republic's AMUSSOL scheme**

Among the 89,454 AMUSSOL affiliates, almost 40 per cent are women. To promote gender equality, since 2010 AMUSSOL has been conducting an awareness-raising national campaign on women's rights at work, which is targeted at policy actors. This campaign contributed to the ratification of the ILO Domestic Workers Convention, 2011 (No. 189) and the Maternity Protection Convention, 2000 (No. 183).

CASC also created a national trade union for domestic workers (SINTRADOMES), which currently has 4,974 members, of whom 98 per cent are women. This has helped domestic workers to better defend their interests and fight for their rights, including their right to social protection.

In order to increase efforts to extend social protection to this vulnerable group of domestic workers (estimated at 325,000), as well as independent female farmers, AMUSSOL launched a pilot project supported by We Social Movements (WSM) in 2021 in order to develop specific promotion activities and affiliation services, with tailored information campaigns and access possibilities for both groups.

Encouraging formalization

As the financing remains unequal between informal economy workers (100 per cent of social security contributions) and formal workers (30 per cent of social security contributions), AMUSSOL prioritizes the formalization of informal economy units as a key strategy for enhancing access to social protection for all. In addition to facilitating administrative access to the DSSS scheme, AMUSSOL encourages affiliated microenterprises and self-employed workers to formalize and register on the taxpayer's registry by requesting affiliated companies with more than

three employees to formalize. To do so, AMUSSOL raises awareness of the advantages of formalization (including value-added tax exemption and easier access to credits and loans) and provides support to the owners of microenterprises on administrative procedures. Once a microenterprise is declared and its employees benefit from the contributory regime, AMUSSOL continues to manage social security contributions (of both employer and employees), subject to a 1 per cent operational fee. By the end of 2020, AMUSSOL had facilitated the formalization of about 796 microenterprise

Conclusion and way forward

AMUSSOL was founded to facilitate the extension of social protection coverage to workers in the informal economy. It not only facilitates registration and contribution collection processes for informal economy workers, who often have limited administrative capacities and lack information, but also promotes their transition from the informal to the formal economy. In addition, the example of AMUSSOL shows the role of workers' organizations in advocating for social protection reform, raising awareness and building a culture of social protection.

While the initiative is a great example of the transformative power of a social movement that uses its expertise to change the existing system, there remain important challenges. There is inequity in the financing of the system, because informal economy workers' contributions are higher than those of formal economy workers (but still much lower than those of private insurance companies, in which many informal economy workers are affiliated due to a lack of alternatives and knowledge of AMUSSOL), rendering the system unaffordable and discouraging for many low-income workers to join. Implementing a contributory-subsidized scheme that is tailored to workers' contributory capacities would help enhance access to social security for previously uncovered groups of workers. AMUSSOL could continue to act as an intermediary between the organizations of informal economy workers and the public social security system. This would ensure compliance, ownership by all users and consequently broad support for the system.

Therefore, AMUSSOL and the Dominican trade unions and other representative social movements continue to pressure the Government to conduct a comprehensive structural reform of the current social security system as a way to address existing inequalities and coverage gaps. To that end, AMUSSOL, trade unions and social movements put forward a joint reform proposal in 2019 to establish a more comprehensive, adequate and

universal social protection system for workers in all types of employment. Moving forward and in the light of the economic recession in the context of the COVID-19 pandemic, one fundamental challenge for the Government will be to ensure the needed fiscal space for the extension of social protection. The extension of the contributory base through the affiliation of informal economy workers, as AMUSSOL has shown, could already create more fiscal space for the Government to extend other social protection benefits and services.

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