



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

2022

Mexico: Extension of social security to workers and producers in the sugar cane sector

Summary

The extension of social protection to agricultural workers represents an enormous challenge in Mexico, as in other countries. In this light, the agreement to affiliate producers and workers (including casual workers) in the sugar agribusiness to the social security system, which was established between the Mexican Social Security Institute (IMSS) and the sugar agribusiness since the 1960s, is an interesting case study.

This is an interesting case in the context of the implementation of the Global Accelerator on Jobs and Social Protection for Just Transitions. It shows how the agroindustry in Mexico aims to improve the quality of jobs in the Sugarcane sector, through collective tripartite agreements. This includes innovative affiliation and contribution mechanisms to increase social protection

coverage, and additional measures to ensure that informal workers and enterprises of the value chain can progressively transition to the formal economy.

Main lessons learned

- The expansion of coverage to workers in rural areas requires the design and negotiation of agreements between employers, workers and the social security system.
- In situations in which there are many small enterprises, such as in the sugar agribusiness, the affiliation of workers can be facilitated through the organization of the sector.
- Among the social security guarantees, access to healthcare is particularly valuable to rural workers and their families.

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.

Mexico's efforts to expand social protection to workers in the sugar agribusiness ensures their social inclusion, including of those in the informal economy, and seeks to achieve solidarity in financing, which are guiding principles of the Social Protection Floors Recommendation, 2012 (No. 202).

- The sustainability of the social protection scheme for workers in the sugar agribusiness is dependent on their ability to contribute, which may be affected by the market price for sugar. It is important for the system to continue to evolve in response to the decreased global demand for sugar.

Context

The sugar cane agroindustry is an important economic sector in Mexico, generating approximately 40 to 50 billion Mexican pesos (US\$2–2.5 billion) per year for the economy, depending on price fluctuations. More than 800,000 hectares of sugarcane are cultivated in 267 municipalities in 15 Mexican States.

According to the National Survey of Occupation and Employment (ENOE), in the second quarter of 2021 6.8 million people (12.3 per cent of the total employed population) worked in the agricultural sector, which has an informality rate of 87 per cent.

Mexico remains the sixth largest producer of sugar in the world. However, according to trends observed in the last ten years, the sugar cane agroindustry risks once again entering a crisis of overproduction and low prices: cane production and sugar extraction rates have increased; domestic demand has reduced due to changes in the population's consumption habits; and exports to the United States market have been restricted, all of which are leading to a surplus of sugar supply and prices that are below production costs for Mexico.

According to data from the National Chamber of the Sugar and Alcohol Industries, it is estimated that 440,000 workers rely directly on the sugar cane agribusiness, while an estimated additional 2.2 million persons depend indirectly on the industry for their livelihood. This group includes suppliers, day labourers, cutters, transporters, other workers and retirees.

Description of the initiative

In 1963, the Law incorporating sugar cane producers and their workers into the IMSS system was issued. In 1997, the reform of the Social Security Law privatized the pension system, including for sugar cane producers and their workers. However, in practice sugar cane producers and

workers continued to be affiliated to the Mandatory Regime through special agreements with the IMSS.¹

Periodically, employers' and workers' representatives in the sugar cane agribusiness enter into collective agreements, with the Government acting as witness. The agreement that is currently in effect is the Contrato Ley de las Industrias Azucarera, Alcohólica y Similares de la República Mexicana, which is effective from 16 October 2020 to 15 October 2022.

The collective agreement establishes the working conditions in the sugar production sector in many different areas, such as:

- duration of the workday, payment of wages, Christmas bonuses, rest days, vacations and leaves of absence;
- employers' obligation to provide workers with the tools and materials necessary to perform the work;
- procedure for filling vacancies and promotions;
- prohibition of child labour for persons under 16 years of age;
- various social security benefits, such as enrolment in the IMSS system, monthly payment of a family allowance through electronic food vouchers, housing allowance, retirement pensions² and the payment of a productivity bonus at the end of the harvest cycle;
- employers' obligation to provide the workers' union in each sugar mill or factory with adequate and duly equipped premises for the installation of its offices and an assembly hall to hold its members' meetings;
- obligation to provide workers with electric lighting and a sports field and canteen;
- annual financial endowment to labour unions for union purposes, study, and to defend the rights and interests of workers; and
- employers' obligations in the areas of training, education and scholarships for workers and their families, among others.

The IMSS, the Unión Nacional de Cañeros and the Unión Nacional de Productores de Caña de Azúcar establish agreements on an annual basis on the insurance terms for sugar cane producers (farmers) and temporary field

¹ The IMSS Mandatory Regime comprises five insurance policies, covering 1. occupational risks; 2. diseases and maternity; 3. disability and life; 4. retirement, unemployment in advanced age and old age; and 5. nurseries and social benefits.

² Through the collective agreement, a private supplementary pension system has been established for workers in the sector.

workers and for their enrolment and the payment of social security contributions. Based on federal labour and social security laws, such agreements establish that:

1. IMSS applies its legal, administrative, fiscal, technical, operational and health procedures in accordance with its general scheme.
2. At the beginning of the harvest cycle, the unions inform the IMSS of the estimated crop area and expected production (for the producers' contribution), as well as the number of producers and workdays to be used (in the case of day labourers).
3. The unions then manage the affiliation of producers and workers, report the registration, cancellation and reinstatement of day labourers and any changes in wages. At the end of the harvest cycle, the employers issue certificates of the number of days worked and total wages earned and the accounts are adjusted accordingly.
4. Workers and producers follow the procedures established by the IMSS for the provision of benefits.

In 2021, the National Sugar Cane Agroindustry Programme 2021–2024 was signed by the National Committee for the Sustainable Development of Sugarcane (CONADESUCA) as part of a special programme derived from the national development plan 2019–2024. It includes four priority objectives, the last of which targets workers and the sustainability of the industry.

Under objective 4, strategy 4.4 has been established with the priority of improving the working conditions and social protection of sugar cane growers and sugar mill workers. This action includes a series of substrategies:

- 4.4.1 Promote social economic development by improving welfare conditions and temporary housing for sugar cane cutters.
- 4.4.2 Consider developing a training programme for sugar cane cutters and their families on issues of hydration, shade and the use of proper tools and protective gear.
- 4.4.3 Contribute to raising awareness in the sugar cane agribusiness sector of decent working conditions and the need to eliminate child labour from agricultural places of work.
- 4.4.4 Promote the systematization, design and implementation of a protocol for workers' hydration, shade and rest in order to improve working conditions in the field.

Impact of the initiative

For the 2020–2021 agricultural cycle, agreements were signed with the national unions of sugar cane producers to provide social security to 84,446 workers and 18,000 temporary farm workers during the period from 1 July 2020 to 30 June 2021. For this cycle, the individual contribution per sugar cane producer was 12,596.25 pesos, although producers who received less than 68,750 pesos for their sugar cane production would benefit from a reduced contribution rate of 5,500 pesos. In the latter case, the remaining contribution of 7,096.25 pesos is subsidized.

For 2021, the federal expenditure budget decree assigned an allocation of 289 million pesos for the social security of sugar cane growers, an increase of 3.2 per cent over the budget for 2020.

Challenges and way forward

The main challenge comes from the future of the sugar sector. The global and national trend in the consumption of caloric sweeteners, including sugar, is downward. In the coming years, sugar consumption per person is expected to reduce, especially in countries in which sugar consumption is related to high rates of obesity and diabetes prevalence, hence the need to design a cross-cutting policy strategy that considers the diversification of the use of sugar cane for products other than sugar, as well as agricultural diversification, which would incentivize rural producers to move production towards crops that are more future-proof, allowing them to continue obtaining their livelihood from agricultural activity.

Mexico's success in extending social insurance to the sugar agribusiness sector could be extended to other sectors of Mexican agriculture. Although they are increasingly organized in value chains with international connections, such as the coffee, tobacco, vegetable, wine and other sectors, many agricultural workers still lack access to comprehensive social protection.

The extension of social security benefits to sugar cane growers and workers is a first step towards the transition of the sugar cane agribusiness to the formal sector. In addition to the provision of social security, other measures, such as the advancement of decent work or providing access to skills development, are desirable to promote the well-being of sugar cane workers, thereby also increasing the attractiveness of the sector for younger generations.

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