



Working Paper No. 17

The Formalization of Rural Employment in Argentina through Trade Union-Employer Agreements

Informality is considered one of the most serious social problems facing the Argentine labor market. Workers who are not hired according to formal mechanisms are vulnerable to basic social and employment risks and not protected from illness, workplace accidents, invalidity, old age, or death. The lack of access to social security affects workers' families as well, accentuating social exclusion and reducing access to rights over generations.

Rural workers are particularly beset by informality. One of the reasons for this is deficient agricultural labor market institutions, which are often poorly designed and inadequately implemented. This is the case with minimum wage, the right to collective bargaining and unionization, labor inspection, and hiring modalities. Agricultural workers who work seasonally tend to be particularly affected by informality. Seasonal work often means less certain labor insertion, which in turn weakens labor relations and the benefits associated with them. According to the Rural Household Survey on Levels of Life and Production for 2010, at least half of all salaried agricultural workers were not covered by the social security system.

This document seeks to examine this issue, by discussing the influence of the Trade Union Correspondences Agreements (henceforth CCG, for the acronym in Spanish) that have increased in number since the beginning of the decade. The CCGs are voluntary agreements between workers' union representatives and representatives of growers geared to facilitating the former's full access to the social security system and its subsystems. These agreements are an efficient tool to combat informality insofar as they facilitate the registration of workers with the tax authority that perform tasks during a limited timeframe, usually the harvest.

These agreements are exceptional because they allow the grower to defer payment of social security contributions for workers until they themselves are paid for the harvest. Called "Tarifa Sustitutiva" (Substitution Payment, henceforth TS for the acronym in Spanish), this alternative retention and payment regimen enables growers to comply with their obligations at the best moment in the crop cycle. Growers' income tends to be unstable, diminishing during the months prior to the harvest and increasing at the end of the crop cycle; according to this regimen, the grower can accommodate these variations. This improves compliance rates, which in turn means higher levels of worker registration and greater public revenues. Furthermore, since the employer only pays the TS for the part of his or her crop that is sold, economic support is extended to any grower who, for whatever reason, has lost some or all of the crop.

Each agreement has the authority to determine the TS's retention or collection agent. That agent is required to provide the Argentine tax collection entity (the AFIP) the information needed to monitor the payments and debts of each grower. To determine the amount of the TS, parameters of productivity and performance are taken into account when necessary, as are the salaries in the sector. The parties agree on the parameters to be used to determine the TS, which is later reviewed and authorized by the Social Security Office. Regulatory Decree N° 1370/2008 establishes the factors to be considered in calculating the contribution: the number of workdays, the level of employment, the value of salaries in real terms, and—finally—the outcome of an equation that contemplates both the nominal value and/or a percentage of that value in establishing the amount of contributions and the number of workers covered by the agreement.

After presenting a historical overview of the agreements, this document examines the fourteen CCGs signed, thirteen of which are currently in effect, focusing on their main characteristics and scope of coverage. Seven agreements in the wine-production sector in the provinces of Mendoza, San Juan, Río Negro, Neuquén, La Rioja, Catamarca, and Salta are discussed; three in the tobacco sector in the provinces of Jujuy, Chaco, and Salta; an agreement in the *maté* sector in Misiones and Corrientes; and two forestry and forestry-industry agreements and one multi-crop agreement, all of them in Chaco province.

On the basis of the monthly average at the peak of the high season for each sector, the fourteen agreements covered some 63,092 jobs in 2016, which represents 54% of all declared jobs in all the contract modalities used in the sectors the CCGs cover. That means an increase in the number of declared jobs of some 16% (a total of 8,661) compared to 2012. Some 5,745 growers adhered to agreements, or 74% of all growers during the period, which represents an increase of 28%, since previously only 4,501 employers had registered.

A closer look at each agreement shows that the three contract modalities found in agreements in the tobacco-growing sector encompass almost all of the declared jobs in that sector in all the regions where growing occurs. But less than 29% of wine-sector jobs in San Juan, Río Negro, and Salta are declared in CCGs. In Mendoza, Neuquén, and La Rioja provinces, over 40% of jobs in that same sector are declared in CCGs.

This document also contains an analysis over time of three of the CCGs signed (the wine sector CCG in San Juan, the multi-crop CCG in Chaco, and the *mate* CCG in Misiones-Corrientes) with a focus on impact on formal employment. The analysis bears in mind the evolution of production, comparing registered employment/product ratios for the year before and the year after the agreement was in effect. With the exception of the multi-crop agreement in Chaco, where that ratio decreased by 8%, the increase in the wine sector and in the *mate* sector was around 44% during the first year of each CCG.

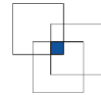
In closing, this document presents the perspectives of the main actors in the CCG system obtained through in-depth interviews with representatives of trade union organizations and business chambers and through meetings held with public authorities with responsibility for the agreements. On the basis of these sources, it can be inferred that, though the CCGs have had a positive impact and contributed to the regulation of seasonal rural employment, there is much to be done to facilitate registration and expand coverage. Suggestions include:

- **Improve sources of statistical information** in order to implement the CCGs, to determine the correct TS, and to facilitate follow up of the agreements' principal parameters.
- **Identify an adequate and trustworthy retention agent**, who can undertake collection as well as provide additional statistical information. Most actors indicate that this is one of the main aspects to improve.
- **Communicate the benefits to employees and employers.** Given the enormous cultural and ethnic diversity of workers, and the number of different languages they speak, it is particularly important to make efforts to convey the economic and in kind benefits workers and their families are entitled to from the social security system and its subsystems, whether contributory and non-contributory in nature (like the Universal Child Allowance or AUH).
- **Streamline the institutional and administrative framework** to avoid delays in worker registration and withdrawal from the system.
- **Limit the CCGs realm of application to temporary workers**, by strengthening and improving the current regulatory framework and inspection and penalty mechanisms to prevent the instrument from being used for permanent employees at participating companies and firms.
- **Limit CCGs by productive zones** to prevent diversion of crops and the resulting tax evasion possible in the current system where zones are determined by geography and/or activity criteria.
- **Improve the instrument to better respond to the real situation of workers.** While CCGs are designed to increase the rate of formal employment among rural workers, many workers

continue not to receive effective coverage by the system. Many workers do not have health care coverage, for example, mostly because those services are not available where they live.

[Full document \(PDF\)](#)

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ILO Country Office for Argentina

E-mail: buenosaires@ilo.org

Tel. +54 11 4393-7076

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