Living Wage Update: September 2019
Rural Guatemala
Central Departments

Living wage per month
GTQ 2,981 (USD 387)

Cost of decent standard of living for a family
GTQ 4,363 (USD 566)

Photo by Nestlé
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1. BACKGROUND
This report updates the living wage and living expenses for the coffee producing regions of the Central Departments of Guatemala.

The net living wage and living expenses are updated to September 2019 (study month of the most recent calendar year) to take into account the amount of inflation since the original September 2016 living wage study. Without accounting for inflation, the net living wage estimated in 2016 would not be sufficient for workers to have a basic but decent standard of living in September 2019 because the purchasing power of the living wage would have decreased compared to what it was in 2016. Similarly, living expenses for a reference family are also updated to September 2019 to account for inflation.

The gross living wage is updated to September 2019 by taking into consideration in addition income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using the laws in effect by September 2019, which were valid throughout the entire period.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN NOVEMBER 2016
The original living wage country report estimated the net living wage as GTQ 2,572 (US$ 343) in September 2016. This was the required take-home pay for workers for decency. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for social security, was estimated as GTQ 2,689 per month (US$ 359, using an exchange rate of 7.5 GTQ=1 US$) in September 2016. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as GTQ 3,938 per month (US$ 525) in September 2016.

3. INFLATION RATE USED TO UPDATE LIVING WAGE
The National Statistics Institute of Guatemala (Instituto Nacional de Estadística – Guatemala, https://www.ine.gob.gt/) is the government body responsible for computing and reporting price indexes in Guatemala. It reports one consumer price index. It is a monthly indicator based on data for 8 regions in Guatemala and price changes for the 34 products of the basic basket of

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1 Prepared by Koen Voorend, with supervision from Richard Anker and Martha Anker.

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products from results of the National Household Expenditure Survey (Encuesta Nacional de Ingresos y Gastos Familiares -ENIGFAM).

The weights structure of the CPI (base: 2010 = 100) is constructed with the consumption expenditure information of the urban and rural populations that were surveyed in the ENIGFAM, without excluding any segment or stratum of the population. Price information is collected for the 8 regions of Guatemala: Metropolitana (1), Norte (2), Nor-Oriente (3), Sur-Oriente (4), Central (5), Sur-Occidente (6), Nor-Occidente (7) and Peten (8). However, in the methodological annex, no information was found regarding the number of establishments used to monitor prices, or the number of households to obtain information on housing rental prices on a monthly basis. For this reason, this report uses the national CPI, which reflects the average inflation in the country and is based on the largest possible sample of data points, and therefore represents the most reliable data.

4. RECENT LEVEL OF INFLATION

Between September 2016 and September 2019, inflation rate in Guatemala grew steadily. The national inflation rate in this period was 11.1%, Graph 1 summarizes the evolution of the national inflation rate between September 2016 and September 2019.

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2 The household expenditure structure used to calculate the IPC is divided into the following: food and non-alcoholic beverages; alcoholic beverages and tobacco; clothing and footwear; housing, water, electricity, gas and other fuels; furniture and household items; health; transportation, communications; recreation and culture; education; restaurants and hotels; and diverse goods and services.

3 https://www.ine.gob.gt/sistema/uploads/2016/04/04/l9TNSs2nOcszpU3oKPACgCASPJ6M.pdf

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5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

In September 2016, at the time of the original living wage report, workers paid 4.83% in payroll taxes, consisting of contributions to the Guatemala Institute of Social Security (Instituto Guatemalteco de Seguridad Social - IGSS). In September 2019, the same social security tax applied. Just as in 2016, the amount of the living wage is well below the lowest tier of income tax, meaning that there is no income tax due on a living wage. Therefore, in September 2019 only the 4.83% social security tax is taken into consideration for the living wage update.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR NOVEMBER 2018

The updated net living wage, or take-home pay, for September 2019 is GTQ 2,850 (US$ 370, using an exchange rate of 7.71 GTQ = 1 USD)\(^4\) per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is GTQ 2,981 (US$ 387) per month for September 2019. It is important to note that this includes the obligatory bonus (not taxed) of GTQ 250 per month, as part of the payment of the net living wage. Table 1 provides details of the original and the updated living wages and family living expenses in GTQ and US$.

| Table 1: Living wage for coffee growing region in Central Departments of Guatemala in original study and latest update (in Guatemalan Quetzal and US Dollars) |
|---------------------------------|------------------|------------------|
| **Item**                        | **September 2016 Original Study Date** | **September 2019 Latest Update** |
| **Currency**                    | Guatemalan Quetzal (GTQ) | USD | Guatemalan Quetzal (GTQ) | USD |
| **Living Expenses for a Decent Standard of Living Per Month** | GTQ 3,938 | $525 | GTQ 4,363 | $566 |
| **Net Living Wage Per Month**   | GTQ 2,572 | $343 | GTQ 2,850 | $370 |
| **Income Taxes & Mandatory Payroll Deductions per Month on Living Wage** | GTQ 118 | $16 | GTQ 132 | $17 |
| **Gross Living Wage (including obligatory 250 GTQ Bonus)** | GTQ 2,689 | $359 | GTQ 2,981 | $387 |
| **Exchange Rate**               | 7.50 | 7.71 |
| **Source of Exchange Rate**     | Original Country Report | Guatemalan Central Bank\(^5\) |

\(^4\) Since data for the Guatemalan Quetzal are not available from the International Monetary Fund’s (IMF) archive of exchange rates, we used the use the average for the 3-month period that brackets September (so August–October 2019) based on data from the Guatemalan Central Bank: 7.71 GTQ = 1 USD. Exchange rate fluctuations were small over the selected period.

\(^5\) Central Bank of Guatemala: http://www.banguat.gob.gt/cambio/historico.asp?moneda=02&ktipo=5&kdia=01&kmes=09&kanio=2016&kdia1=01&kmes1=09&kanio1=2018&kcsv=ON&submit1=Consultar

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7. PAYMENT OF GROSS LIVING WAGE IF 13TH AND 14TH MONTH BONUSES ARE PAID

In Guatemala, formal labor relations require the payment of a 13th month and a 14th month bonus, which are calculated differently. However, in the original report the following was written:

“To calculate the cash basic living wage, we decided to include the GTQ 250 productivity bonus since we found that the productivity bonus of GTQ 250 per month is usually paid in its entirety if the worker is not absent from work in the entire month. In contrast, previous studies and our own fieldwork both strongly suggest that 13th and 14th month bonuses are not given to most coffee workers because they are often paid on a daily piece rate basis for the 3-4 months of the year when they work. Indeed, according to Verité (2013), only 1 in every 4 workers in the coffee sector is paid the Bono 14 and Aguinaldo. Therefore, when estimating our cash living wage per month, we do not include on a prorated basis the 13th and 14th month bonuses. All comparisons with our monthly living wage estimate are made under the assumption that the GTQ 250 Bonus is paid, but that the 13th and 14th month bonuses are not. For large farms with mostly permanent workers, the cash monthly living wage could be around 16% lower at around GTQ 2,031 (US$271) because many workers on such farms would receive the 13th and 14th month payments.” (Voorend, Anker and Anker, 2016, p. 52-53)

For this reason, it was decided to follow the same methodology for this update. However, it should be noted that if the 13th and 14th month bonuses are paid, the cash living wage required to be paid per month could be around 16% lower at around GTQ 2,410.