

Living Wage Update: June 2021

Rural Guatemala

Central Departments



Cost of decent standard
of living for a family

GTQ 4,725
(USD 611)



Gross Living Wage
per month

GTQ 3,242
(USD 419)



Photo by [Nestlé](#)

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1. BACKGROUND

This report updates the living wage and living expenses for the Central Departments of Guatemala.²

The net living wage and living expenses are updated to June 2021 (which can be considered the average for the year 2021) 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 June 2021 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 June 2021 to account for inflation.

The gross living wage is updated to June 2021 taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2021 living wage. This is done using the laws in effect by June 2021, which were unchanged since the original study.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM SEPTEMBER 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)³ 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.

¹ Prepared by Lykke E. Andersen and Alejandra Gonzales of SDSN Bolivia, with Richard Anker and Martha Anker.

² This is an update for the Living Wage Report, Rural Guatemala, Central Departments: Provided in the Coffee Sector September 2016 <https://bit.ly/3kMqEfk>.

³ Using an exchange rate of 7.5 GTQ=1US\$.

3. INFLATION RATE USED FOR UPDATE

The National Statistics Institute of Guatemala (Instituto Nacional de Estadística – Guatemala),⁴ is the government body responsible for computing and reporting price indices in Guatemala. It reports the consumer price index, which is a monthly indicator based on data for 8 regions in Guatemala and price changes for the 34 products of the basic basket of products from the National Household Expenditure Survey (Encuesta Nacional de Ingresos y Gastos Familiares - ENIGFAM).

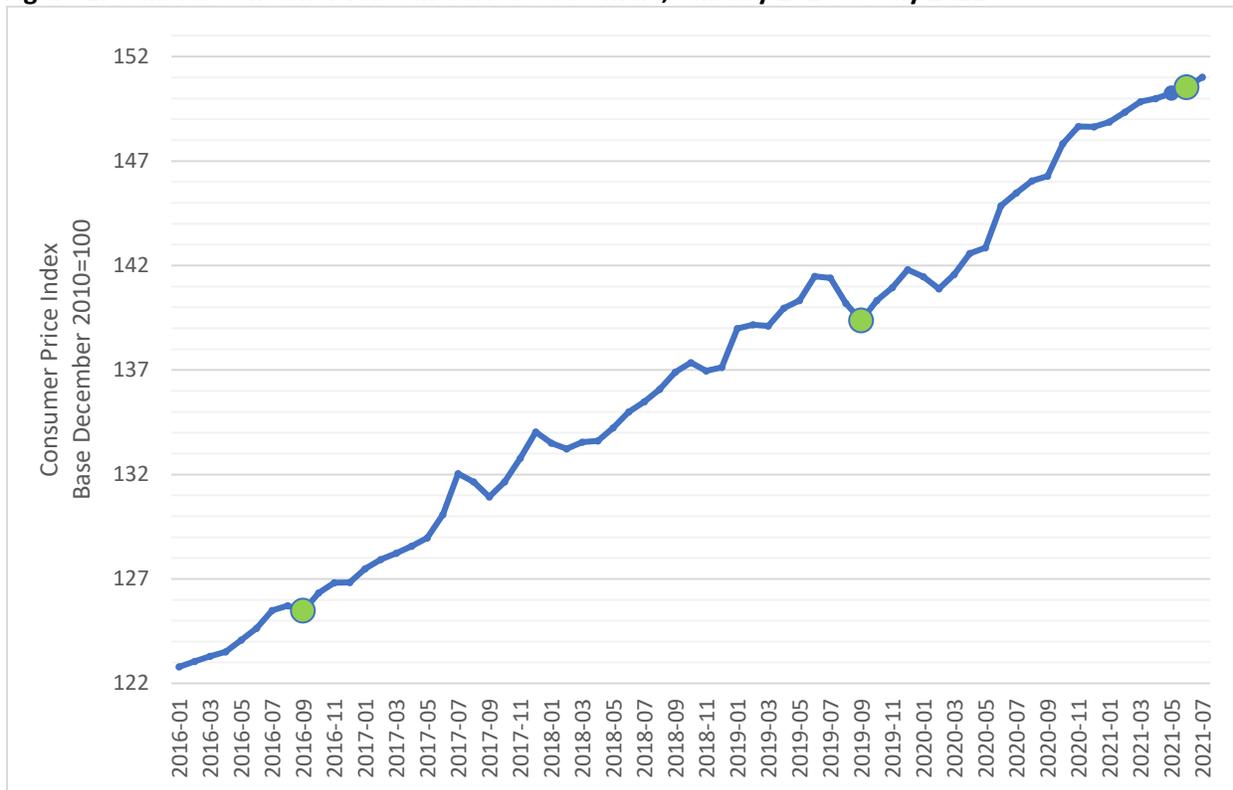
The expenditure weights structure of the CPI (base December 2010 = 100) is constructed with the household consumption expenditure information of the urban and rural populations that were surveyed in the ENIGFAM, without excluding any segment or stratum of the population.⁵ Price information is collected 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). 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 inflation data.

4. RECENT LEVEL OF INFLATION

Between September 2016 and June 2021, prices in Guatemala increased steadily. The total increase in prices during this period was 20.0%. Figure 1 shows the evolution of the national CPI between January 2016 and July 2021. The original study month (September 2016), as well as the update months (September 2019, and June 2021), are highlighted with larger green dots.

⁴ <https://www.ine.gob.gt/>

⁵ The household expenditure structure used to calculate the CPI 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 care; transportation; communications; recreation and culture; education; restaurants and hotels; and diverse goods and services.

Figure 1: General Consumer Price Index for Guatemala, January 2016 to July 2021

Notes: Green dots highlight the months of the original study and the updates.

Source: Authors' calculations based on CPI data from INE.

5. MANDATORY DEDUCTIONS

In September 2016, at the time of the original living wage report, workers paid 4.83% in payroll deductions, consisting of contributions to the Guatemala Institute of Social Security (Instituto Guatemalteco de Seguridad Social - IGSS). In June 2021, the same social security contribution 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 June 2021 only the 4.83% social security contribution is taken into consideration for the gross living wage update.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2021

The updated net living wage, or take-home pay, for June 2021 is GTQ 3,086 (US\$ 399)⁶ per month. The gross living wage, which also takes into account income taxes and mandatory payroll deductions, is GTQ 3,242 (US\$ 419) per month for June 2021. It is important to note that this includes the obligatory

⁶ Using an exchange rate of 7.73 GTQ = 1 USD <http://www.banguat.gob.gt/cambio/>

productivity bonus (not taxed) of GTQ 250 per month, as part of the payment of the 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		June 2021	
	Original Study Date		Latest Update	
Currency ^a	GTQ	USD	GTQ	USD
Living Expenses for Reference Family per Month	3,938	525	4,725	611
Net Living Wage per Month	2,572	343	3,086	399
Income Taxes and Payroll Deductions per Month on Living Wage	118	16	157	20
Gross Living Wage per Month	2,689	359	3,242	419

Note: ^a Exchange rate for June 2021 is the average exchange rate for May 1-July 31, 2021 (three-month period bracketing June 2021).

Source: Authors' calculations.

7. PAYMENT OF GROSS LIVING WAGE IF 13TH AND 14TH MONTH BONUS 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 net living wage required to be paid per month could be around 16% lower at around GTQ 2,592.