

Living Wage Update Report

Rural Guatemala, Central Departments

2023

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Cost of decent standard
of living for a family

GTQ 5,332
(USD 680)



Living wage
per month
GTQ 3,659
(USD 467)



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Abstract:

This report provides updated estimates of family living expenses and living wage for rural areas in the Central Departments of Guatemala. This region focuses on agriculture, particularly on coffee. The update for June 2023 takes into account inflation since the original Anker living wage study carried out in September 2016 (Voorend, Anker and Anker, 2016).

Keywords: Living costs, living wages, Anker Methodology, Guatemala

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and living expenses to 2023 for rural areas in the Central Departments of Guatemala. These departments are known for various agricultural products, particularly (although not exclusively) coffee. The update takes into account the amount of inflation since the original study in September 2016 (Voorend, Anker and Anker, 2016). This is done by updating the September 2016 net living wage and living expenses to June 2023 by inflation. This provides average living wage and living expenses estimates for 2023. 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 2023 because the purchasing power of the living wage would have decreased compared to what it was in 2016. The gross living wage (aka living wage) is updated to June 2023 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated June 2023 living wage. This is done using the laws in effect in June 2023.

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 (USD 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 (USD 359)¹ 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 (USD 525) in September 2016 (Voorend, Anker and Anker, 2016).

3. INFLATION RATE USED FOR UPDATE

The National Statistical Institute of Guatemala (INE, Instituto Nacional de Estadística – Guatemala),² 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.³ Price information is

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

² <https://www.ine.gob.gt/>

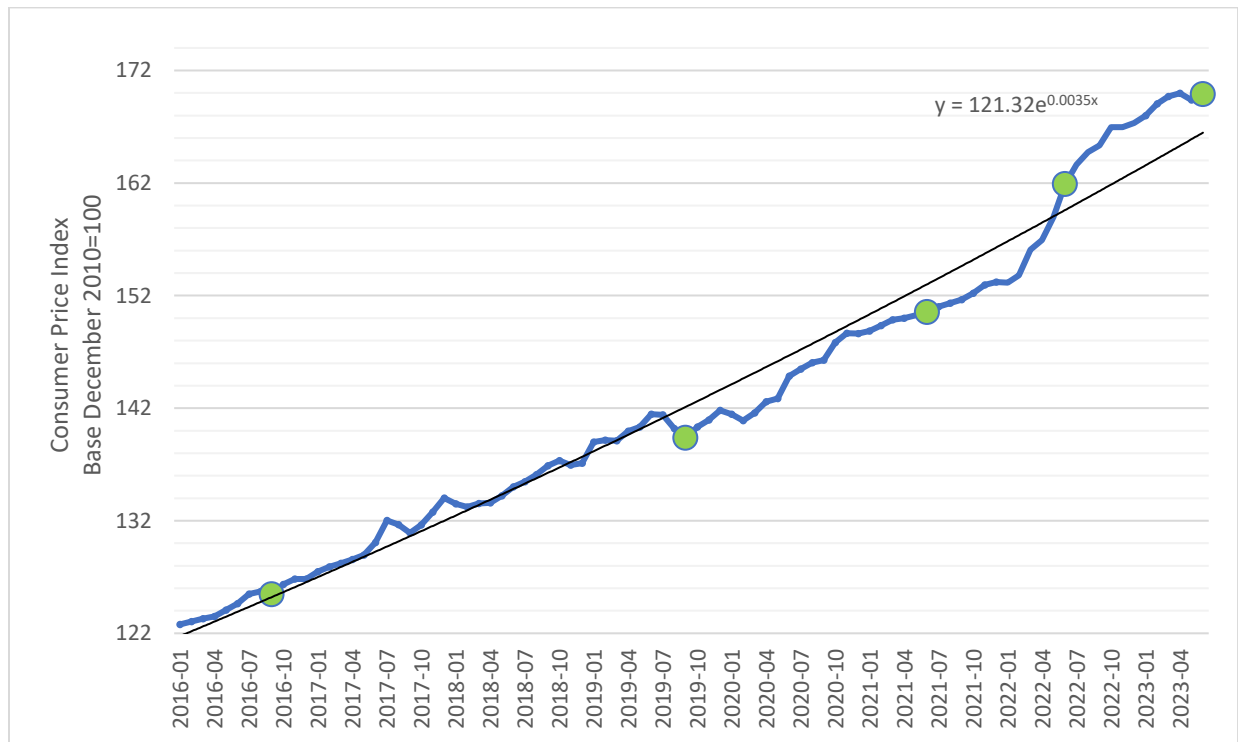
³ The consumption basket used to calculate the CPI consists of the following: food and non-alcoholic beverages; alcoholic beverages and tobacco; clothing and footwear; housing, water, electricity, gas and other fuels; furniture

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 2023, prices in Guatemala increased steadily. The inflation in this period was 35.4% (Figure 1). This is the inflation used in this update.

Figure 1: General Consumer Price Index, Guatemala, January 2016 – June 2023



Notes: Green circles indicate the months of the original study and updates. The black line is the fitted exponential trendline.
 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 2023, the same social security contribution applies.

and household items; health care; transportation; communications; recreation and culture; education; restaurants and hotels; and miscellaneous goods and services.

Moreover, just as in 2016, farmers earning a living wage are exempted from paying income taxes⁴. Therefore, in 2023 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 2023

The updated net living wage, or take-home pay, for June 2023 is GTQ 3,482 (USD 444) per month. The gross living wage (aka living wage), which also takes into account income taxes and mandatory payroll deductions, is GTQ 3,659 (USD 467) per month for June 2023.

Table 1 provides details of the original and the updated living wages and family living expenses in GTQ and USD.

Table 1: Family living expenses and living wage for coffee growing region in Central Departments of Guatemala (in Guatemalan Quetzals and US Dollars per month)

	September 2016 Original Study		June 2022 Update Report		June 2023 Update Report	
	GTQ	USD	GTQ	USD	GTQ	USD
Family Living Expenses (1)	3,938	525	5,081	657	5,332	680
Net Living Wage (2)	2,572	343	3,319	429	3,482	444
Total mandatory payroll deductions and income tax (3)	118	16	168	22	177	23
Gross Living Wage (2+3)	2,689	359	3,487	451	3,659	467
Exchange Rate to USD	7.5		7.74 ^a		7.84 ^b	
Source of Exchange Rate	Original Report		Banco de Guatemala		Banco de Guatemala	

Note: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for June 2022. ^bAverage exchange rate for June 2023.

Source: Authors' calculations.

⁴ See <https://taxsummaries.pwc.com/guatemala/individual/other-taxes>

7. REFERENCES

Voorend, K., Anker, R., & Anker, M. (2016) *Living Wage Report, Rural Guatemala, Central Departments. Context provided in the coffee sector.* Available online: https://www.globallivingwage.org/wp-content/uploads/2018/05/Guatemala_Living_Wage_Benchmark_Report.pdf