



ULANDSSEKRETARIATET – DTDA
DANISH TRADE UNION DEVELOPMENT AGENCY



LABOUR MARKET PROFILE

2015

GUATEMALA



PREFACE

The Danish Trade Union Development Agency (DTDA) presents this Labour Market Profile as a yearly updated report that provides an overview of the labour market's situation.

This country profile presents the recent main developments and is not an in-depth analysis. Nevertheless, it shows a wide range of data in a reader-friendly style. Certain key findings of this report can be found on the Executive Summary.

The report is divided in 11 thematic sections, which includes trade unions, employers' organizations, tripartite structures, national labour legislation, violations of trade union rights, working conditions, situation of the workforce (with subsections such as unemployment, sectoral employment, migration, informal economy, child labour, gender, and youth), education (with subsection vocational training), social protection, general economic performance, and trade. Additionally, the reader may find, an appendix including a list of the ratified ILO Conventions.

As indicated, the report is driven by statistical data selection from international databanks, surveys and reports (e.g. the International Labour Organization (ILO), the International Trade Union Confederation (ITUC), the World Bank, WageIndicator Foundation, the Africa Labour Research & Educational Institute (ALREI), etc.) as well as national statistical institutions and ministries, and others. Moreover, narrative inputs are collected from international news sources (e.g. The Economist, the British Broadcasting Corporation (BBC), LabourStart, The Guardian, etc.) together with local sources such as trade unions centers, NGOs, local news, the DTDA's Sub-Regional Office, among others.

This report also collects references from several indexes, e.g. Global Rights Index, Doing Business Index, the Governance Indicators, and the Human

Development Index. The indexes' methodologies and the data quality can be followed by the sources websites.

All sources, indicators and/or narrative inputs that are used are available by links through footnotes.

It is noteworthy to highlight that although most of the statistical data is available, there were some problems with availability and reliability of the data. In particular, the data collection of trade union membership, Collective Bargaining Agreements (CBAs), women's trade union membership and *occupational health and safety (OHS) committees* are a challenge. Therefore, used data from these abovementioned indicators should be interpreted with some reservations.

ACKNOWLEDGMENT

This Labour Market Profile is prepared by the DTDA's Analytical Unit in Copenhagen with support from our Sub-Region Office in Latin America. In addition, a consultancy with field visits by John Koldegaard - and in collaborate with local partners - was implemented to improve data collection of trade union issues.

All other labour market profiles of the countries where DTDA operates are available at our website: <http://www.ulandssekretariatet.dk/content/landeanalyser>

Should you have questions about the profiles you can contact Kasper Andersen (kan@dtda.dk), Manager of the Analytical Unit.

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Guatemala

Labour Market Profile

EXECUTIVE SUMMARY

Guatemala is a multi-cultural country with two out of five (41 percent) are from indigenous communities. The society is also known with a prevalence of violence coupled with high social and wage inequalities. During the 2000s, the number of working poor was falling, but in the beginning of the 2010s it started to slowly increasing again and remains relatively high in comparison with the Latin America and the Caribbean's (LAC) average. An evolution of a middle-class has been somewhat stalled, which is related to many wage & salaried workers lost their jobs.

In the last decade, limited reforms of the labour laws have been implemented to protect the rights of workers. The Labour Law itself has received some reservations of trade union restrictions and collective bargaining agreements. Moreover, the legal system continues to experience corruption and inefficiency. It has weakened the regulation of the labour market and the freedom of associations. The country is particularly characterized by "no guarantee of rights".

Trade unionism in Guatemala has also been affected negatively by abuses and the movement is to some extent fragmented. The trade union density has been estimated at 3.8 percent of the workforce. However, unions are under-reporting members, which are most likely due to procedural hurdles of public registers. There was a breakthrough case on the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), where the United States' authorities raised a number of serious concerns with reference to violence against trade unions and lack protection of workers.

The economic per capita growth has slowly increased after the global financial crisis during 2007-2008. There has been only few improvement of the doing business and the governance environments. On the same token, there has basically not been an increase in the labour productivity in recent years. Among others, this is an impact of decreasing public and private investments.

Guatemala's total employment rate is in line with the LAC's average. To point out, women have a considerable lower employment rate than men, which is

related to cultural divergences. A gender gap is similarly present in the proportion of youth not in employment, education or training (i.e. the NEET rate). Both children in employment and the overall migration are also prominent in the country.

The unemployment rate is 2.7 percent and below the LAC's average. In the case of the under-employment rate, estimations prove to be quite high at 60 percent. One of these reasons is that the majority of new jobs are not created in the formal sector, but in the informal economy where there are few incentives to formalize activities. It has even been estimated that around three out of four (75 percent) are employed in the informal economy.

The real minimum wage increased by 6.8 percent on average from 2000 to 2015. However, non-compliance with minimum wage provisions in the agriculture and the informal economy is common. Earning gaps are often related to education levels; and the minimal living cost per month for a family of five is 100 percent higher than a single monthly minimum wage.

Guatemalan social protection system is characterized by limited coverage and segmentation along socio-economic lines. On average 15 percent of the population have formal insurance, while health social protection covers 30 percent of the population. The government expenditure in the health sector is slightly decreasing.

Guatemala's Export Processing Zones (EPZ; or *maquilas*) has a prominent role on the labour market. They are notorious for their lower labour standards and anti-union stance from employers. The minimum wage in 2015 in EPZ is 7 percent lower than the regular national minimum wage.

The education system has demonstrated a high growth of school enrolment rates, but it struggles with cultural gaps as well as a low teaching quality. Guatemala has a very high vocational training ratio to all pupils in secondary education.



COUNTRY MAP

CENTRAL AMERICA AND THE CARIBBEAN



Source: The CIA World Factbook



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TRADE UNIONS

The Labour Law provides for the right of workers to form and join trade unions of their choice, conduct legal strikes, and bargain collectively. This excludes security force members, though. Worker organizations are independent of the government and political parties.¹

The mentioned law places some restrictions on worker rights. For instance, legal recognition of a new industry-wide union requires that the membership constitute a 50-percent-plus-one majority of the workers in an industry and restricts union leadership to citizens.² In addition, there are barriers to lawful strike action, i.e. workers are allowed to strike provided they have the support of 50-percent-plus-one of the workers in the company.

The International Trade Union Confederation (ITUC) has registered procedural hurdles, union formation restrictions, and impunity for employers refusing to receive or ignoring court orders limited freedom of association and collective bargaining are present.

According to official statistics there are 2,248 trade unions.³ Around 895 appear to be active; and three out of four are from the public sector. Estimations based on umbrella organizations membership show that 3.8 percent of the workforce is organized in trade unions and 8.9 percent among waged workers. Female member share of trade unions has an estimated 30 percent (Table 1). More information of the trade unions in Guatemala, see also Table 2 and **Table 24**.

Table 1: Trade unions in Guatemala, 2015

Number of active trade unions (2013)	895
Dues (private sector)	1% of basic salary
Members of trade unions (umbrella organizations)	241,784
Trade union members share of labour force	3.8 %
Trade union members to waged workers	8.9 %
Female member share of trade unions (2007-2008) ⁴	30%
Affiliated trade unions from the informal economy	13,024
Number of CBAs (2010)	80
Workers covered by CBAs	N/A
Share of workers covered by CBA	N/A
Labour force (2015)	6,367,000

Often trade unions also underreport their membership numbers, so as to protect their members from employer reprisals or worse. Many trade unionists are also murdered in Guatemala, which in itself also deters trade unions.

It is noteworthy that a factory or business owner is not obligated to negotiate a collective bargaining agreement unless at least 25 percent of workers in that factory or business are union members and request negotiations. The law prohibits antiunion discrimination and employer interference in union activities and requires employers to reinstate workers dismissed illegally for union-organizing.

One of the major reasons why few are organized in trade unions in Guatemala is because abuses that have been committed against trade union members and leaders over the past half-century. Military and civilian governments since the 1950s have held union organizations in contempt and have committed serious human rights abuses and "disappearances" against union leaders. After the civil war ended in 1996 and civilian rule was established, trade unions started reorganizing.⁵ However, as previously mentioned, a hostile attitude towards labour organizations continues today and there are significant obstacles to trade union mobilization.⁶

There has been observed that there has been a campaign against the labour movement in Guatemala's mass media in 2015; with the intention to discredit this movement in the public opinion.

According to a survey from 2013, only one percent of day-labours in the agricultural sector are organized in trade unions. And, 84 percent indicate that if they try to organize them in trade union, they are fired immediately.⁷

Guatemala has a fragmented trade union movement. Based on the limitations of data available, five umbrella organizations operate, which also affiliates trade union centres, political and agrarian movements (Table 2). Three of the centres: CGTG, CUSG and UNSITRAGUA are affiliated to ITUC and the Trade Union Confederation of Americas (TUCA).

During the last years there have been some initiatives to bring the different labour movement partners together. There has been an initiative from TUCA and the Global Unions with presence in Guatemala to try to make their affiliates come together. This initiative has had some



positive impact, but when the popular campaign in 2015 against the president and the corruption ended up in his resignation, the Guatemala labour movement were divided again. On the other hand, it seems that they have been able to coordinate with the International Labour Organization (ILO) representative in the country, about labour rights, roadmap for Decent Work Agenda in Guatemala. There has also been coordination about some complaints to the Dominican Republic-Central America (CAFTA-DR) Free Trade Agreement (FTA).

Table 2: Trade Union Umbrella Organizations and Centres, 2015

	Total Members	Women Members
Umbrella organisations		
UGT Unión Guatemalteca de Trabajadores	51,984	-
UASP Unidad de Acción Sindical y Popular	-	-
FNL Frente Nacional de Lucha	86,000	-
MSICG Movimiento Sindical, Indígena y Campesino Guatemalteco	-	-
MSPAG Movimiento Sindical y Popular Autónomo Guatemalteco	103,800	-
Trade union centres		
CGTG Central General de Trabajadores de Guatemala	60,000	-
CUSG Confederación de Unidad Sindical de Guatemala	30,000	16 %
UNSTRAGUA Unión Sindical de Trabajadores de Guatemala	15,385	30 %
CNSP Coordinadora Nacional Sindical Popular	-	-
CTC Central de Trabajadores del Campo	40,000	-

Note: This table is based on the contributions of data availability.

Union fees vary from federation to federation and from one union centre to another. The unions and federations in the public sector collect the fees easier than in the private sector, when the employers hold back the fees in the salaries. It has to be mentioned here that the teacher's organization with about 100,000 members, have decided not to charge a monthly fee from their members, but they use the modality to collect money for special purposes and situations. An example from a union centre from the private sector; the worker pays one percent of his basic salary, and one of the fees that the union receive they pay to the federation, and the federation pay one percent of the fees that they receive to the confederation. It is obvious that the federations and confederations receive very little

financial support from their affiliates, and have difficulties to pay their expenditures.

EMPLOYERS' ORGANISATIONS

Chamber of Industry of Guatemala (AGG)

AGG is an apolitical, not-for-profit, non-union association with voluntary membership operating in Guatemala since 1959. Its key objective is supporting management refinement for leaders responsible for directing the private and the public sector. It has trained more than 200,000 businesspeople in a wide array of management development fields. As of today, AGG has 2,000 members from major Central American companies, making it the major voluntary non-union association in the region.⁸

In December 2014 AGG contemplated a legal fight to mining royalty hike from 1 percent to 10 percent, which could hurt investment, according to this chamber.⁹ During the same month, ACG presented the newly formed Union of Manufacturers and Distributors of Industrial Chemicals (GREQUIM), representing an industrial platform that helps promote mechanisms at the national and international level to improve competitiveness of the sector and the country.

Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras (CACIF)

CACIF was established in 1957 and were historically supporting the governments during the civil war. CACIF is governed by a General Assembly and run by a Board of Directors and an Executive Director. CACIF maintains committees within Workforce, Tax, Economic, Security, Communications, International Trade Negotiations, Environment, and Policy.¹⁰

CACIF is constituted by ten organisations, representing around 100,000 employers, of which 75 percent are small and medium sized enterprises. CACIF also participates in debates, which are not strictly labour related, such as the trial for genocide of Ríos Montt.¹¹ Another example was during August 2015 where the heads of CACIF demanded the resignation of President after the former country's Vice President was arrested over her alleged participation in government corruption.



CENTRAL TRIPARTITE STRUCTURES

Mediation and Arbitration

Labour disputes are governed by the labour law:¹² First a dispute is attempted to be solved under direct settlement between employers and workers. Then the case may be referred to a Court of Conciliation, which makes a conciliation offer. If that is rejected, the case may be referred to arbitration by the Court of Arbitration, if the parties agree. These courts are presided by a judge from the Ministry of Labour and Social Affairs, and one each representing workers and employers. The most frequent employment disputes that result in litigation involve claims of unlawful termination, with the plaintiff seeking payment of indemnities and reinstatement. Employment disputes involving alleged breaches of collective bargaining agreements with unions also frequently result in litigation.¹³

Another source argues that the Labour Ministry cannot impose a fine or otherwise sanction employers for labour law violations discovered during inspections but must instead refer these cases to a court. It was registered that employers frequently refuse to respect court decisions favorable to workers, and courts rarely sanctioned employers for ignoring court orders. It was also mentioned that the length of time to process cases regarding the reinstatement of workers and other labour law violations is excessive, often taking two to four years and some lasting more than 10 years. Courts also face difficulties in providing notification of their orders when employers are listed under incorrect addresses or refused access to the court official delivering notification.¹⁴

Each year around 13,000 cases are filed, with over 5,000 cases for unlawful dismissal. Around 22 judges handle these cases and have a huge backlog of more than 23,000 not rendered sentenced. It is estimated that the impunity rate is 98% and with no prosecutions or effective convictions.¹⁵

In December 2015 the interim government, which took over after the retreat of former president Otto Molina Pérez, tried to violate the agreements on the minimum salary by introducing lower minimum salary in some regions of Guatemala. This initiative was declared not legal by the court, after strong protests from the labour movement.

Special Prosecutor's Unit for Crimes against Unionists

This unit is placed within the Office of the Special Prosecutor for Human Rights in the Public Ministry. This institution is responsible for investigating attacks and

threats against union members, as well as noncompliance with judicial orders in labour cases. The staffing was increased from five in 2013 to twelve in 2014. A source assessed that impunity remained significantly high. It was also registered that the unit won four convictions in 2014, compared with no convictions in 2013.

Economic and Social Council (ESC)¹⁶

ESC was amended by law in 2012 to: i) maintain an institution of permanent social dialogue of national economic and social policies; ii) sectoral opinions are converted into public policies of economic and social areas; iii) these policies are part of a national development strategy; and iv) international development policies follow these public policies.

National Wage Commission¹⁷

As required by the constitution, the minimum wage is reviewed periodically by the tripartite National Wage Commission (*Comisión Nacional de Salario*).

Other bi/tripartite organs

- Monetary Board of the Bank of Guatemala
- National Institute of Technical Training (*Instituto Nacional Técnico de Capacitación y Productividad – INTECAP*)
- Board of Guatemalan Social Security Institute (*Junta Directiva del Instituto Guatemalteco de Seguridad Social*)
- Tripartite Commission on Labour Affairs
- Tripartite Commission on International Labor Affairs

NATIONAL LABOUR LEGISLATIONS

Constitution¹⁸

The constitution from 1985 was last modified in 2005. It establishes the right to work and minimum social rights in labour legislation, which may not be made lower through collective bargaining, and if there is doubt of interpretation of these rights, labour is to be favoured. These include rights such as equal pay for equal work, a periodically reviewed minimum wage, working time maximum of 8 hours per day 48 hours per week, 15 days of annual leave and maternity leave. The constitution prohibits non-citizens from participating in the leadership of unions, and employment of children less than 14 years. It also recognises freedom of association and the right to strike though with restrictions for workers of the state.



Código del Trabajo¹⁹

The Labour Law regulates employment contracts, collective bargaining agreements, wages, leave, specific types of work, occupational safety and health, trade unions, strikes and industrial disputes. It also establishes the labour inspectorate, the responsibility of the Ministry of Labour and Social Affairs, the Labour and Social Courts including courts of conciliation and arbitration.

While the labour law in principle protects the right of workers, it has restrictions.²⁰ Among others, to start a new industry-wide union requires that the membership constitute a 50-percent-plus-one majority of the workers in an industry and restricts union leadership to citizens. To negotiate a collective bargaining agreement, the employer is not obligated unless at least 25 percent of the workers of the business are union members and request negotiations.

Several other legislations exist, which regulates and sets standards and restrictions for the labour market.²¹ It is noteworthy that very limited new legislation on the labour market has been present in the last decade.

ITUC has relatively few observations of the labour market regulations. Among those that are registered are: i) unions must represent 50-percent-plus-one of the workers in a sector in order to establish industry unions; ii) there is provision for imposing compulsory arbitration in the event of a dispute in the public transport sector and in services related to fuel; and iii) there is provision for imposing compulsory arbitration in the event of a dispute in the public transport sector and in services related to fuel. Other sources have also registered that the government does not effectively enforce the laws.²²

TRADE UNION RIGHTS VIOLATIONS

During the last 25 years, the International Labour Organization (ILO) and many other international organisations have reiterated its deep concern about the grave situation of antiunion violence and the right to freedom of association in Guatemala. And, the violence has not been solved, but actually worsened. Based on the ITUC's Global Rights Index, Guatemala was placed as a country with 'no guarantee of rights', i.e. ranking at 5 out of 5+ (Table 3).

Table 3: Guatemala: Global Rights Index 2015²³

5 out of 5+	<ul style="list-style-type: none"> ○ No guarantee of rights ○ Countries with the rating of 5 are the "worst countries in the world to work in". While the legislation may spell out certain rights workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labour practices.
<p><i>Note: Five clusters in total with ratings from 1 to 5. A country is assigned the rating 5+ by default, if the rule of law has completely broken down.</i></p>	

Since 2007, at least 65 union leaders and members have been killed. There has also been registered many acts of attempted murder, torture, kidnappings, break-ins, and death threats with relation to the freedom of association. The government confronted international pressure since it has not improved to enforce its own labour laws and its commitments to core worker's rights. Agreed plans such as the '18-point Enforcement Plan' was not effectuated, which has turned into a formal case run by U.S. authorities' due to violations of trade agreement (see also the section 'Trade').

ITUC registered 10 cases of violations of trade union rights in Guatemala in the period 2014-2015. They cover a wide range subjects: i) the Coca Cola suspends unionised workers; ii) young trade unionist murdered (2015); iii) violations of the right to life and integrity;; iv) transport union leader murdered; v) the Coca Cola suspends unionised workers; vi) unfair dismissals by Guatemalan Olympic Committee; vii) Guatemalan Olympic Committee fails to respect freedom of association; viii) armed attack on trade unionists in banana sector; ix) young trade unionist murdered (2014); and x) trade unionists sacked by municipal authority in Jutiapa.

Also the U.S. Report on Human Rights Practices²⁴ has listed a wide range of trade union rights violations.

The ILO's Committee on Freedom of Association has registered a total 100 complaints. Seventeen cases are active, out of which one is from 2015 (Table 4). Although these international complaints keep a pressure on the government, the results have so far not produced results, as previously indicated. The government launched an ILO Decent Work Country Program in 2012 program, and an agreement with the ITUC in 2013, which aim to support investigations and prosecuting crimes against trade unionists. It is still too early to estimate the results.



Table 4: ILO Complaints Procedure²⁵

Freedom of Association cases (2015)	
Active	17
Follow-up	8
Closed	75

During 2014 trade unions transmitted to the government 25 observations to the ILO Constitution's Article 22, including two from the ITUC. CACIF transmitted three observations to the ILO Constitution's Article 22 and the International Organisation of Employers (IOE) forwarded one.

Also in the prohibition of forced or compulsory labour, there has been reported that many men and women have been subject to forced labour in agriculture and domestic services, and the government has failed to enforce the laws effectively in some cases.

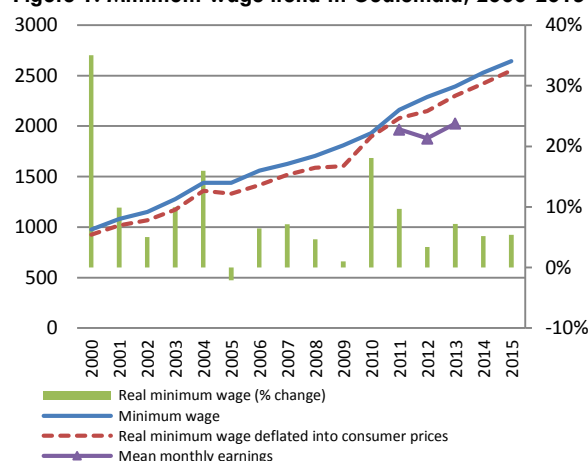
WORKING CONDITIONS

The monthly minimum wage is revised yearly and was increased on January 1, 2015, to 2,644 Quetzal (US\$345) per month for agricultural and non-agricultural work, which is an increase of 5 percent since 2014. The minimum wage in the export *maquila* sector is 7 percent lower than the general minimum wage. In addition, there is a very high ethnic income gap at 68 percent as well as earnings gaps favouring men. Over the last decade, the minimum wage has increased at 6.8 percent in real terms (Table 5 & Figure 1).

Table 5: Wages and earnings²⁶
Monthly average and legal minimum wages

	Current Quetzal	Current US\$
Average wage (2013)	2,026	253
Men (2011)	2,087	269
Female (2011)	1,707	220
Minimum wage (2015)		
Non-agriculture & Agriculture	2,644	345
Export Processing Zones	2,451	320
Minimum wage for a 19-year old worker or an apprentice (2014/15)	2,701	345
Growth of real minimum wage (2000-2015)	6.8 %	
Growth of real average wage (2011-2013)	3.0 %	

Figure 1: Minimum wage trend in Guatemala, 2000-2015²⁷



Non-compliance with minimum wage provisions in the agriculture and the informal economy is common.

The average wage is lower than the minimum wage, though; and it was estimated at US\$70 per month less than the minimum wage. The real average wage has increased at 3 percent over the period 2011-2013. Men's average wages are also 22 percent higher than women's (Table 5).

The National Statistics Institute estimates that the minimal living cost per month for a family of five was 5,989 quetzals (US\$772) in March 2015.²⁸ Those costs are more than 100 percent higher than a single monthly minimum wage. It has been estimated that 58 percent of the population have incomes below the extreme poverty line, which is defined as the amount needed to purchase a basic basket of food. Other estimation show that the richest 20 percent of the population accounting for more than 51 percent of Guatemala's overall consumption.

The public sector wage was 58 percent higher than the national average, and the private sector were 8 percent lower. The wages of the non-indigenous adults and men is slightly above the average, but indigenous people, youth and women, on average, earn 23 percent less than national average. In all domains, the indigenous are lower wage earners.²⁹

The Ministry of Labour registered 6,226 complaints of violations during 2012 and investigated 539 cases. The labour inspectors uncovering numerous instances of overtime abuses, but effective enforcement was undermined due to inadequate fines by labour courts, labour court inefficiencies, employer refusals to permit labour inspectors to enter facilities or provide access to payroll records and other documentation, and



inspectors' lack of effective follow-up in the face of such refusals.³⁰

The Ministry of Labour employed around 300 labour inspectors, although many of them performed conciliation or administrative duties rather than clearly defined inspection duties. These inspectors cover 1 per 20,323 workers in the workforce. The ILO recommends 1 inspector per 40,000 workers in less developed countries and 1 per 20,000 workers in transition economies.³¹ Thus, Guatemala appears to have a relatively high rate of labour inspectors, but, as already noted, it appears to overestimating the real coverage. According to sources, labour inspectors reported uncovering numerous instances of overtime abuses. However, the effective enforcement was often undermined due to inadequate fines by labour courts, labour court inefficiencies, employer refusals to permit labour inspectors to enter facilities or provide access to payroll records and other documentation, and inspectors' lack of effective follow-up in the face of such refusals.³²

A fast overview of the working conditions regulations in Guatemala is available by the table below.

Table 6: Working Conditions in Guatemala³³

Normal weekly hours limit	44 hours
Overtime limit	12 hours per day (including overtime)
Maximum weekly hours limit	72 hours
Minimum mandatory overtime premium/time off in lieu of overtime wages	50% increase; no universal national entitlement to compensatory time off
Minimum annual leave	13 days
Duration of Maternity Leave	84 days
Amount of maternity leave benefits	100 %
Source of maternity leave benefits	Mixed (67% paid by social insurance, 33% paid by employer; employer pays for workers who are not insured)

WORKFORCE

Guatemala has a population of 14.9 million and the indigenous culture is making up an estimated 40 percent of the population. Around 6.2 million persons are in the workforce. Women have considerably lower

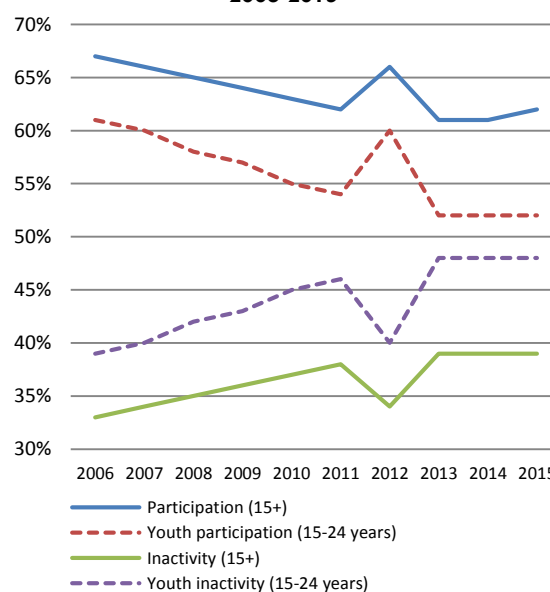
employment rates than men, but the overall employment rate of Guatemala is average for the region (Table 7).

Table 7: Employment rates³⁴
2013, Age and Sex distribution

Sex	Age	Employment rate
Men & women	Total 15+	66 %
	Youth 15-24	58 %
	Adult 25+	70 %
Men	Total 15+	86 %
	Youth 15-24	77 %
	Adult 25+	92 %
Women	Total 15+	47 %
	Youth 15-24	40 %
	Adult 25+	51 %

The employment rate experienced a decreasing trend from 67 percent in 2006 to 62 percent in 2015. The youth employment rate also declined from 61 percent to 52 percent during the same period (Figure 2).

Figure 2: Employment and inactivity trends in Guatemala, 2006-2015³⁵



Note: The significant statistical difference registrations in the trends in 2012 were related to reported data by ILO's databank (KILM). The longer period has demonstrated a stable trend, though.

Two out of five (39 percent) of the working age population (WAP, 15+) and almost one out of two (48 percent) of the youth population (15-24 years old) are inactive (do not work, neither study) on the labour market; and with deep gaps between men and women (Table 8).



Table 8: Inactivity rate in Guatemala, 2015³⁶

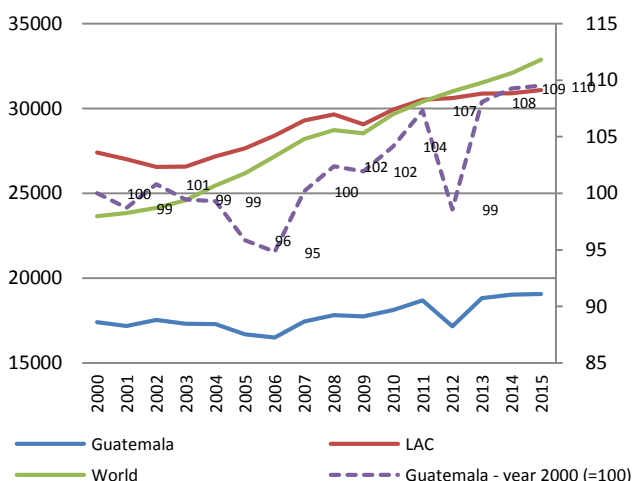
	Total	Male	Women
Inactivity rate	39 %	16 %	59 %
Inactivity rate, youth	48 %	30 %	66 %

The labour productivity experienced a low growth during the 2000s and the first part of the 2010s. It remains far below the Latin America and the Caribbean (LACs) average (Figure 3). Guatemala has not experienced an expanding industrialization. In addition, both the capital formation and the foreign direct investments have not boosted the economy with investments, which have kept the labour productivity growth stalled (see also the sections: General Economic Performance & Trade).

The particularly deep declining labour productivity in 2012 was related to some turbulent climate changes that affected smallholders' productivity dramatically.

Figure 3: Labour productivity³⁷

2000-2015, Output per unit of labour input based on GDP constant 2011 international US\$ in Purchasing Power Parity; and Guatemala's labour productivity indexed year 2000 (=100)



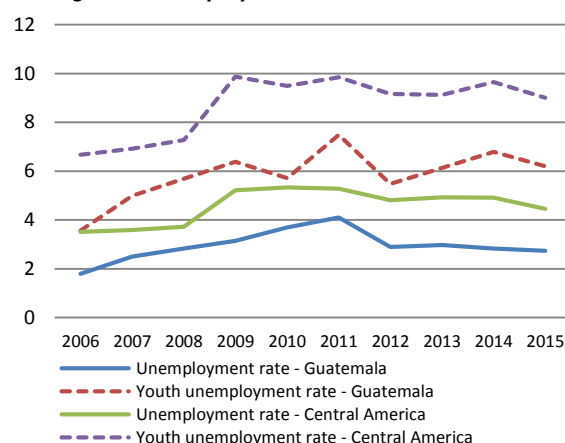
Unemployment and Underemployment

Guatemala's unemployment rate was estimated at 2.7 percent in 2015. This is lower in comparison to the Central America's average that was set at 4.5 percent. The unemployment rate in Guatemala increased slowly during the 2000s, but fell again and stayed flat since 2012. The youth unemployment rate has a higher rate and slightly more present among men than women (Table 9 & Figure 4).

Table 9: Unemployment & underemployment³⁸

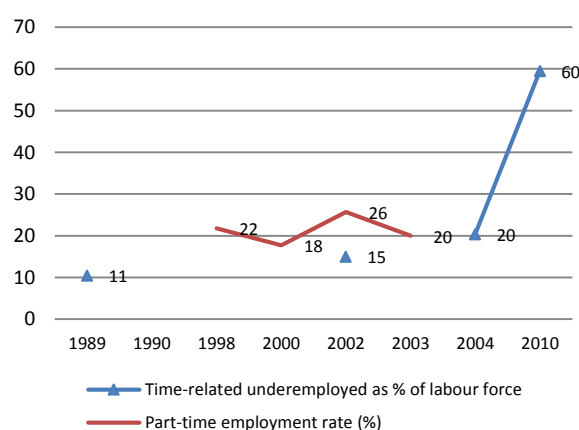
	Year	Total	Men	Women
Unemployment rate	2015	2.7 %	2.5 %	3.2 %
Youth (15-24) unemployment rate	2015	6.2 %	5.2 %	8.3 %
Time related underemployment	2013	15 %	15 %	14 %
Long-time unemployment	2012	0.4 %	0.3 %	0.5 %

Figure 4: Unemployment trends, 2006-2015, %³⁹



A lot of time-related unemployment is concealed as underemployment. And it has been estimated by ILO that 60 percent of the employed are underemployed. According to Figure 5, underemployment experienced a fast rising underemployment rate between 2004 and 2010, which could be related to methodological changes. Notwithstanding, the high rate indicates employment-related problems in the country are present as well as human resources are being underutilized in the production process of the country.

Figure 5: Underemployment and part-time employment trends, 1989-2010 (%)⁴⁰





Based on these trends of underemployment and unemployment have been characterized as 'serious' problems. The structural changes that took place in the 1990s resulted in most indigenous and other small farmers having their properties expropriated in favor of large agricultural businesses, especially sugar and coffee. It explains why a large number of people are working as seasonal workers in a relatively unregulated labour market.⁴¹

In Guatemala very few can afford to be unemployed. Interpretation of the open-unemployment and employment rates as indicators of a well-functioning labour market is problematic in developing countries. When unemployment is not an option where a person can survive, work of some sort has to be found, often casual and informal work. Unemployment should therefore be understood in relation to the strength of social safety nets, the prevalence of informal employment, and how much of informal employment is underemployment due to few employment possibilities in the formal sector.⁴²

A status of income protection during unemployment in Guatemala is presented on Table 10. It shows that very limited initiatives are available.

Table 10: Status of income protection during unemployment in Guatemala⁴³

Income situation	Solutions
Income protection during unemployment only severance	Pay only is available
Period for long financial assistance available during unemployment	No government assistance
Financial assistance for an unemployed minimum wage worker receive per day	No government assistance

Sectoral Employment

The single largest sector employer is the agricultural sector: Around 33 percent of the employed found work in this sector in 2013. Agricultural employment is frequently seasonal and occurs at off-site locations, with a high presence of indigenous Mayas. Housing facilities are generally poor. Recent studies show that 70 percent of the labour force in this sector work between 9 to 12 hours per day and do not receive pay for the extra hours or a salary according the law. Around 11 percent of agricultural workers are in the formal sector. In addition, the workers have unstable work conditions and have only verbal contracts while only 4 percent work permanent.⁴⁴

The share of employment within agriculture, industry and services, has been steady in the last decade: A status of the employment per sector and as Gross Domestic Production (GDP) share is available on Table 11 below.

Table 11: Employment⁴⁵ & GDP share⁴⁶ 2013, Sector & Gender distribution

Sector	Men	Women	GDP share per sector
Industry sector			
Mining and quarrying	5,540	0	1.9 %
Manufacturing	360,036	297,578	20 %
Electricity, gas and water	23,919	5,903	2.4 %
Construction	340,208	8,161	4.2 %
Service sector			
Trade, hotels and restaurants	715,557	829,617	20 %
Transport, storage and communications	178,397	5,190	7.7 %
Financing, insurance, real estate and business services	31,682	21,854	12 %
Public administration and defence	101,582	46,117	22 %
Others (education, health and social work)	422,233	670,153	N/a
Agriculture sector			
Agriculture	1,759,047	234,040	11 %

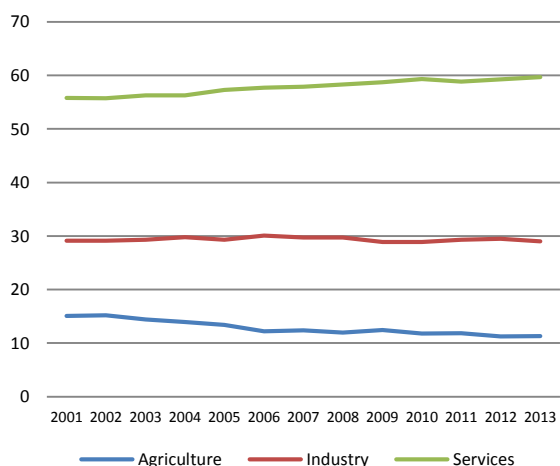
The agricultural sector is men dominated by 88 percent of the employment while women cover 12 percent. Women are more present in commerce, manufacturing, education, and social work. According to a recent study from 2013, the productivity of the domestic agricultural sector is very low. Although this sector produces economic activity employs, they generate little value added. This is related to lower education levels and very low incomes. In contrast, the average employer in the agricultural sector is not poor. Employers' incomes far surpass those of workers.⁴⁷

The agricultural sector share as percent of GDP experienced a slight decline from 15 percent in 2001 to 11 percent in 2013, while the service sector increased from 56 percent to 60 percent. The industry sector's share has stayed at 29 percent in the period



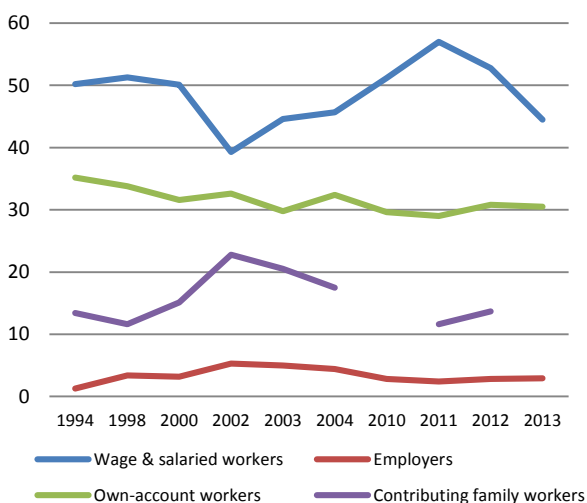
(Figure 6). Part of this has been an impact of an urbanization process that is in progress and more workers are becoming getting absorbed by the informal economy.

Figure 6: Guatemala's sectors share trend⁴⁸
2001-2013, % of GDP



Other data about the employment rate among wage and salary workers show a growing trend during the 2000s. It peaked in 2011 at 57 percent. This rate is also significant higher than the own-account workers and the contributing family workers. However, in the recent years, this rate has been on a declining trend, reaching 45 percent in 2013 (Figure 7). Some reasons for this situation have been related to a lower economic growth per capita during the beginning of the 2010s, weakening rule of law and control of corruption that has also affected the business environment.

Figure 7: Status in employment in Guatemala⁴⁹
1994-2013, % of employment



Migration

The relatively high migration rates from Guatemala are related to the country's history of internal problems, especially during the civil war (1960-1996), which generated huge refugee flows. Many left the country. With this in mind, the remittance rate at 10 percent to GDP, Guatemala received much more remittance than the Latin American and the Caribbean's (LAC) average (Table 12). The country covers 9 percent of the total remittance received in Latin America and one of the top remittance receiving countries in the world.⁵⁰

Table 12: Migration Facts⁵¹

Net migration (2008-2012)	Guatemala	- 75,000
Net migration to average population per year (average, 2008-2012)	Guatemala	- 1 : 957 Inhabitants
	Latin America & the Caribbean	- 1 : 956 Inhabitants
Remittances received, % of GDP (2012)	Guatemala	10 %
	Latin America & the Caribbean	1.1 %
<i>Net migration is the total number of immigrants less the annual number of emigrants, including both citizens and noncitizens.</i>		

The migration out of Guatemala has decreased significantly, from 1 out of every 343 inhabitant in 2006-2010 to 1 out of 957 in the period 2008-2012. Thus, the net migration suggests a lower emigration trend. The country is now in par with the LAC region's average net migration (Table 12).

Although the majority of Guatemalan migrants have been working-age men, the number of women migrants has been on an increase, which has been related to many face unemployment or underemployment. There are also an increasing number of unaccompanied children in migration.⁵²

Guatemala is also a transition country for migrants who have the U.S. as destination. It is also increasingly a destination country from especially Honduras and Nicaragua due to demand for unskilled labour, lack of employment opportunities in the origin countries and a tougher U.S. immigration policy.⁵³

Guatemala's top three migration destinations are the United States (U.S.), Mexico, and Belize.⁵⁴ There are an estimated 2 million Guatemalans in the United States.



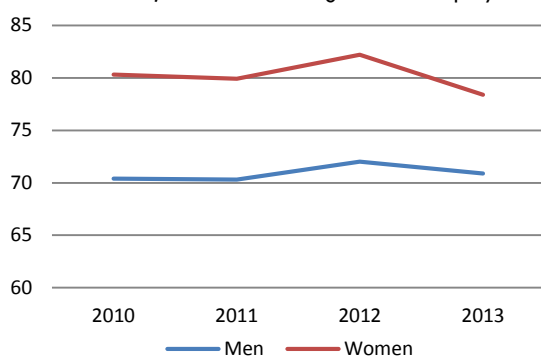
Informal Economy

The latest data on the employment in the informal economy in non-agricultural employment has shown an increase of 3 percent since 2002, reaching 75 percent in 2013. A gap between men and women is present, but the latter segment is decreasing more than the former. It is much higher than the average in the LAC (Table 13 & Figure 8). Based on new estimation from the United Nations in 2015, around 93 percent of women in Guatemala's workforce are housekeepers in the informal economy.⁵⁵

Table 13: Employment in the informal economy

Employment in the informal sector in non-agricultural employment	Guatemala (2013) ⁵⁶	75 %
	LAC (2012) ⁵⁷	48 %

Figure 8: Employment in the informal 'sector' trend⁵⁸
2010-2013, % of total non-agricultural employment



Based on the *Ventanilla Ágil* from 2006 and a Procedures Simplification Program there has been some improvement in the administrative simplification to formalize enterprises. For example, previously, to open a business there were 59 requirements, 10 forms to fill in, 10 required payments, 15 visits to authorities and 17 working days. Currently there are only 9 requirements, 1 form, 1 payment, 3 visits and 1 day.⁵⁹

Two types of employment, which are often informal, are own-account workers, who make up 31 percent of the employed; and contributing family workers who make up 14 percent. The number of own account workers are in the higher-end for Latin America and the Caribbean.⁶⁰

CUSG and UNSITRAGUA organize informal sector workers through affiliated organisations. In CUSG these are in self-employed in the service sector (street vendors, taxi drivers, etc.), whereas UNSITRAGUA

organises informal rural workers with an emphasis on the Mexican border.⁶¹

The size of the informal economy is a challenge in Guatemala. One of the issues is the high cost of formalizing a business. It is decreasing notably, though, but it is still higher than the regional average, i.e. a cost of starting a business is 46 percent vs. 36 percent of income per capita, respectively.⁶² In addition, many informal entrepreneurs have mentioned that there is no real incentive for them to formalize their activities. They prefer operating in a system that is based on mutual trust and punishment for those that do not comply.⁶³

A report from the World Bank has emphasized that the government is not effective at collecting taxes owed. This is in part because a large proportion of the informal economy where workers don't have formal jobs or businesses and aren't registered with tax authorities. Tax evasion by registered businesses is also a big problem.⁶⁴

The informal economy has been concentrated as an urban phenomenon, but it has now been recognized that it is different among the indigenous groups that are concentrated in rural areas. Research has shown that the indigenous communities in Guatemala are the "forgotten entrepreneurs", disassociated from the government that wants to enforce regulations that are alien to their way of doing business.⁶⁵

Child Labour

Children's work is very common in Guatemala. The prevalence of children in work varies substantially by sex, age, ethnicity and residence. According to the recent national survey shows that the child labour trend decreased 8 percent since 2000. Out of 4.2 million of the population between 7 and 17 years old, 851,000 are in employment, which equals 20 percent, and two out of three are boys. The majority (64%) comes from the age segment between 14-17 years old; a segment where a little more than half work in dangerous conditions. Also more than 300,000 children in the age group 7-13 years are working under the minimum age and out of this group 21 percent have dangerous work.⁶⁶

Based on these data, child labour is widespread problem. According to the U.S. Report on Human Rights Practices⁶⁷, most child labour occurs in rural indigenous areas. The informal and agricultural sectors regularly



employed children below 14, usually in small family enterprises. It was also noted that indigenous children work in street sales and as shoe shiners and bricklayer assistants. Some child laborers worked an average of 45 hours per week.

Table 14: Working children
Proportion of all children in age group

Region	Age	Type	Proportion
Guatemala (2011) ⁶⁸	7-17	Children in employment	20 %
	7-17	Child Labour	15 %
	14-17	Hazardous work	55 %
Latin America and the Caribbean ⁶⁹ (2008)	5-17	Children in employment	13 %
		Child labourers	10 %
		Hazardous work	6.7 %
Children in employment include all children who conduct some kind of work, whereas child labourers are a narrower term without mild forms of work. Hazardous work is the worst form of child labour as defined in ILO C182.			

According to the U.S. Department of Labour's Findings on the Worst Forms of Child Labor report, for the first time in Guatemala, six individuals were prosecuted by the Public Ministry and convicted of trafficking for labour purposes. Moreover, the lack of government resources, inability of the labour inspectorate to impose fines, and inadequate judicial enforcement of court orders remain key challenges for enforcement efforts to combat the worst forms of child labour.⁷⁰

Gender

Gender-based discrimination remains a factor in the country and within institutions. Women still do not participate widely in decision-making processes, and have limited economic opportunities.⁷¹ These aspects have been a hindrance for increasing women's participation in decision-making. Moreover, the poverty situation within females is overwhelming among the indigenous population.

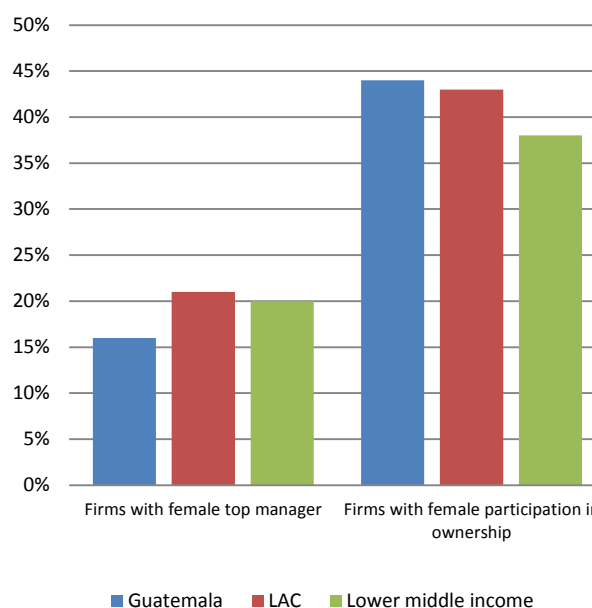
Gender politics in Guatemala are complicated due to cultural divergences which are related to Mestizo that is measured at 59 percent of the population and the indigenous groups at 41 percent. Women frequently face discrimination, including in labour law, and are less likely to hold management positions. They often find their employment in low-wage jobs in agriculture, retail businesses, the service sector, the textile and other industries, and the government. The employment is frequently in the informal sector, where pay and

benefits generally are lower. Also a report estimates that earned income of women is 44 percent that of men as well as women on average received 57 percent of men's salaries for comparable work.⁷²

Based on estimations from 2012 more than 70 percent of women employers in Guatemala who run micro and small-enterprise firms in the commerce sector are less profitable and less productive than those of their male counterparts.⁷³

A 2010 Enterprise Survey reported that 16 percent of firms had women manager, which was slightly lower than the Latin America and the Caribbean's (LAC) average. On the other hand, the country scores higher in terms of firms with women participation in ownership that was estimated at 44 percent while the LAC's average at 43 percent (Figure 9).

Figure 9: Women in management and ownership in Guatemala⁷⁴



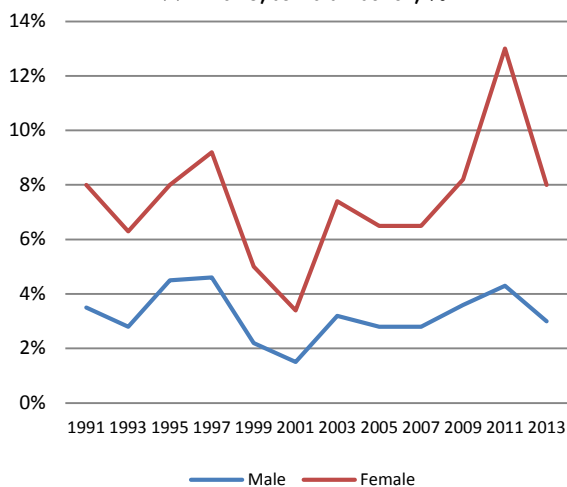
Youth

The country population has a large youth segment at 33 percent of the population and of these 40 percent are indigenous groups.⁷⁵ Overall, youth face limited opportunities for education, job training and employment.

The youth covers more than half of the unemployed workers in the workforce. The unemployment rate was estimations at 4.8% in 2013, with a significant gap between men and women (Figure 10).

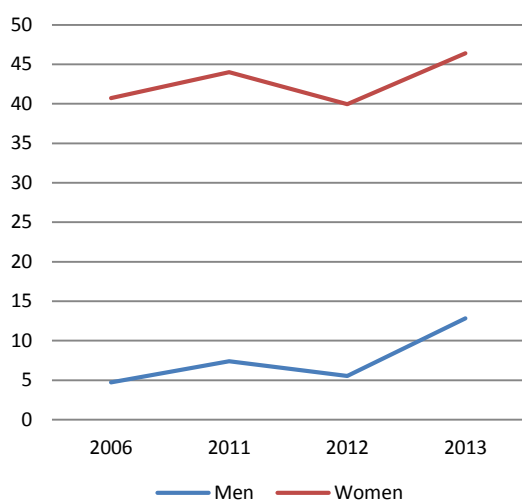


Figure 10: Youth unemployment rates in Guatemala⁷⁶
1991-2013, sex distribution, %



Another key point is that the proportion of youth not in employment, education or training (i.e. the NEET rate) has been much higher among women than men (Figure 11). This gap is also related to the previously mentioned cultural divergences that have deficiencies among the indigenous population on the labour market (see also the section: Education).

Figure 11: NEET rate in Guatemala, 2006-2013



Yearly, around 200,000 youth enters the labour market, but only 20,000 finds decent work. Thus, most are entering the informal economy or immigrate to other northern countries. Some of the weaknesses for the youth on the labour market are especially related to the high level of illiteracy, especially among women and indigenous.

To point out, the Government launched a new youth policy covering the periods 2012-2020 and as a tool to support their development.

EDUCATION

The indigenous population are considerably less educated. Indigenous population between 15 and 31 have an average of 3.5 years of schooling, whereas the non-indigenous have 6.3 years of schooling. Attendance and test scores are also lower among the indigenous children.⁷⁷

There are also relatively early drop out in primary and secondary education levels, which indicate the low secondary school coverage and insufficient learning.

The Table 15 shows the educational attainment of all Guatemalans above 25 years, therefore gives an overall glance of the human capital of the labour force. Though women have lower levels of education, the gender difference is rather small.

Table 15: Highest level attained and years of schooling in the population⁷⁸

2010, Population 25+, Total and Women

Highest Level Attained	Total	Women
No Schooling	33.1 %	39.5 %
Primary	Begun	32.4 %
	Completed	16.4 %
Secondary	Begun	5.5 %
	Completed	9.7 %
Tertiary	Begun	0.7 %
	Completed	2.2 %
Average year of total schooling	4.1 years	3.6 years

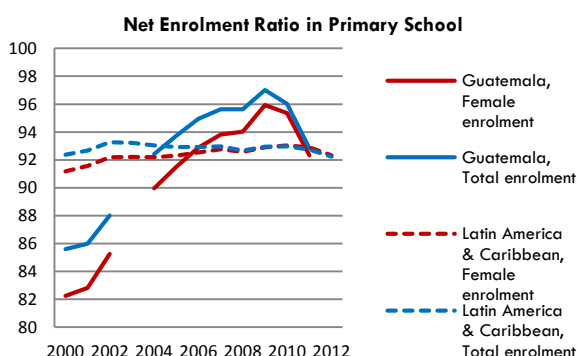
Primary, secondary and tertiary is the internationally defined distinction of education. In Denmark these corresponds to grundskole, gymnasium & university.

The enrolment into Guatemala's primary schools has strongly increased in the past decade. However, this started to fall in 2009. Although the country overcame the regional average during the 2000s period, but it could not sustain the rise for a long time and returning to the regional average. There are indications that it will fall even more. The gender gap in primary school enrolment has also narrowed (Figure 12).

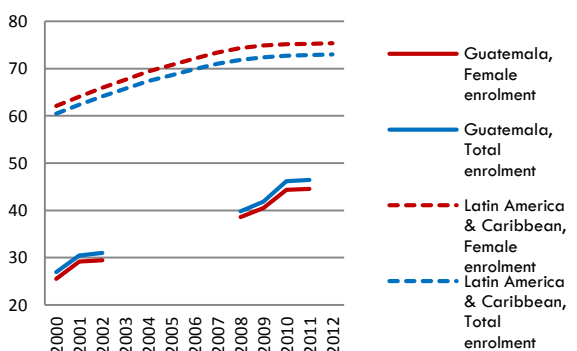


Figure 12: Enrolment in Primary, Secondary and Tertiary schools⁷⁹

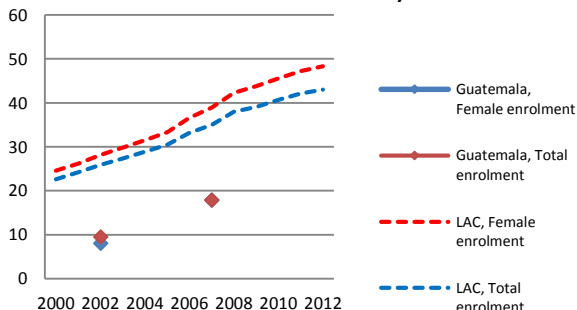
2000-2012, Total and Women, Guatemala and Latin America & Caribbean, %



Net Enrolment Ratio in Secondary School



Gross Enrolment Ratio in Tertiary School



Net enrolment is the ratio of children of official school age, who are enrolled in school to the population of the corresponding official school age. Gross enrolment is the ratio of total enrolment, regardless of age, to the population of the corresponding official school age. Gross primary enrolment is therefore sometimes higher than 100%. Enrolment in tertiary school data not available and/or insufficient

Secondary school enrolment is still much lower than the regional average. The enrolment rate for tertiary education was 18 percent in 2007, considerably below the regional average at 36 percent.⁸⁰

Sources have called the time and quality of instruction in the Guatemalan education system as “appalling” and students are failing to achieve even the most basic levels of understanding.⁸¹

Vocational training

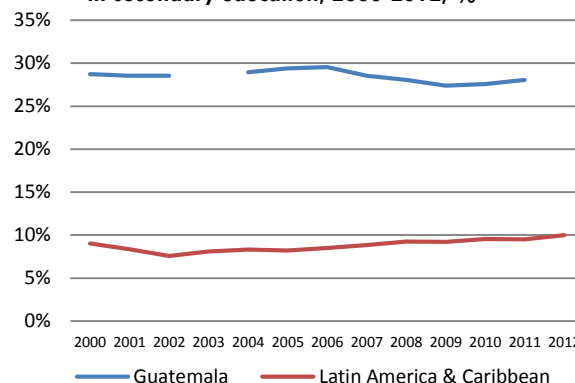
A main vocational training institution (*Instituto Técnico de Capacitación y Productividad (INTECAP)*) provides training for around 200,000 persons yearly. This institution offers around 200 different courses on three different levels: i) after six grade level from primary education, ii) training directed towards persons who have concluded third cycle education level, and iii) higher levels such as firm management.⁸² There are a wide range of other public and private institutions of vocational training. In urban zones the private institutions have been prioritized by youth while the INTECAP is more prevalent in rural areas.

Guatemala’s high ratio of pupils in vocational training to all pupils in secondary education is significantly higher than the LAC’s average. This ratio could be related to the lower enrolment of student in secondary education, as already mentioned. Compared to the population of 15-24 year olds, Guatemala’s youth has twice as many vocational students than LAC. The number of vocational students has almost doubled from 156,000 in 2001 to almost 313,000 in 2011, and 51 percent are women (Table 16 & Figure 13).⁸³

Table 16: Vocational Training⁸⁴

Pupils in vocational training (2011)	Guatemala	312,557
Ratio of pupils in vocational student to all pupils in secondary education (Average 2007-2011)	Guatemala	28 %
	LAC	9.5 %
Ratio of pupils in vocational training out of 15-24 year olds (Average 2007-2011)	Guatemala	12 %
	LAC	5.2 %

Figure 13: Ratio of pupils in vocational student to all pupils in secondary education, 2000-2012, %⁸⁵



According to sources’ estimation, around 44 percent of firms are offering formal training.⁸⁶



SOCIAL PROTECTION

There are 11 public pension institutions. A backbone of the country's contributory social security is the Guatemalan Social Security Institute (*Instituto Guatemalteco de Seguridad Social (IGSS)*). It offers social security benefits for affiliated workers, mainly in the formal economy. In principle, IGSS affiliation is compulsory for formal sector companies with three or more employees. In 2012, there were 6 million workers in Guatemala, out of which only 1.2 million, or around 22 percent, were affiliated to the IGSS. One-third of the formal sector workers did not contribute to the system. This rather low coverage is also partly explained by the high rate of informal employment. IGSS coverage has a low increase, and continues to be limited mainly to the urban non-poor.

Financed by contributions from workers, employers and the state, IGSS among others provides pensions for the elderly, disabled and survivors; and cash benefits and health services in case of illness, maternity and accidents. Health services cover insured workers, their pregnant women spouses during pregnancy and affiliated persons' children below the age of seven.

There are two other public obligatory social security schemes: one for civil servants (*Clases Pasivas Civiles del Estado (CPCE)*), and another for the military (*Instituto de Previsión Militar (IPM)*). There are smaller schemes cater for the workers of public enterprises, banks, municipal organisations and other public organs, the members of which are also covered by IGSS, thus enjoying double protection.

Guatemalan social protection is characterised by limited coverage and segmentation along socio-economic lines. A study from 2013 has demonstrated that 15 percent on average of the population have formal insurance and a similar 15 percent of the population aged 65 and above receive a pension. The poorest income quintile has very low coverage, though.⁸⁷

The health sector combines a public health system and social insurance, with public or private services. The supervision of the health sector is under the Ministry of Public Health and Social Assistance (MSPAS). According to available data show that 30 percent of the population is covered by health social protection (Table 17), which is far below the LAC's average that was estimated at 82 percent.

Table 17: Public spending on social protection schemes⁸⁸

Public social protection expenditure, excl. health	Quetzal	12 billion
	US\$	1.5 billion
	% of GDP	3.1 %
	per capita	102 US\$
	% of government expenditure	31 %
Public health care	% of GDP	1.3 %
Health social protection coverage (2010)	% of population	30 %
Trends in government expenditure in health	% changes per year (2007-2011)	-0.4 %

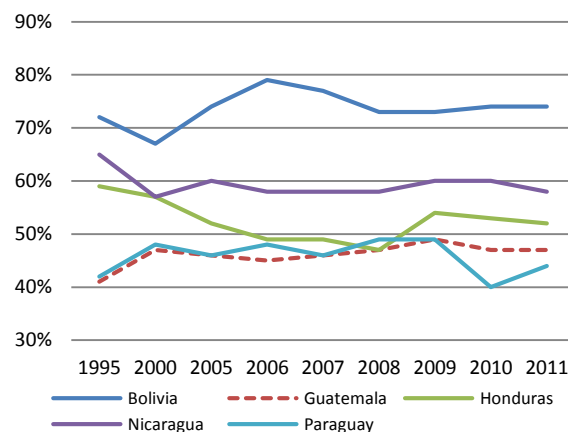
Also the old age coverage as proportion of elderly in Guatemala is low in comparison with the LAC's average, 14 percent vs. 56 percent, respectively (Table 18).

Table 18: Benefits, coverage and contributions to pension schemes⁸⁹, 2009

Social benefits for the active age	% of GDP	1.7 %
Share of contributing to a pension scheme	% of economically active population	20 %
Pensionable (60+) age receiving an old age pension (2006)	Proportion of elderly	14 %
Active contributors to an old age pension scheme (2010)	15-64 years	14 %

It is moreover noteworthy to mention that the non-financed health-care expenditure from private household's out-of-pocket payments is relatively low and has basically not been on an increase (Figure 14).

Figure 14 : Total non-financed health-care expenditure from private household's out-of-pocket payments, %





Guatemala has also two primary cash transfer programs: the My Family Progresses (*Mi Familia Progres*) and the Solidarity Basket (*Bolsa Solidaria*). Public information on the coverage of these programs is scant. The former has covered 45 to 89 municipal districts. The latter has delivered almost 168,000 food baskets, attending 25,000 families in 204 urban settlements in Guatemala City.

A group of labour unions have proposed a tribute and regulations that permit workers from the informal economy access social protection, including if they are not members of trade unions.⁹⁰

GENERAL ECONOMIC PERFORMANCE

Guatemala is the biggest economy in Central America with a macroeconomic and democratic stability. The economic growth on averaged per year during the last decade was 3.7 percent. There was an economic downturn during 2008-2010 which was an impact of the the global financial crisis in periods 2007-2008. Also a series of natural disasters hit in 2010 and 2011 also causes some slowdown. The growth has since recovered, reaching an estimated 4.2 percent in 2014 (Table 19). According to sources, trade, regional integration and tourism are three sectors with a potential economic growth.⁹¹

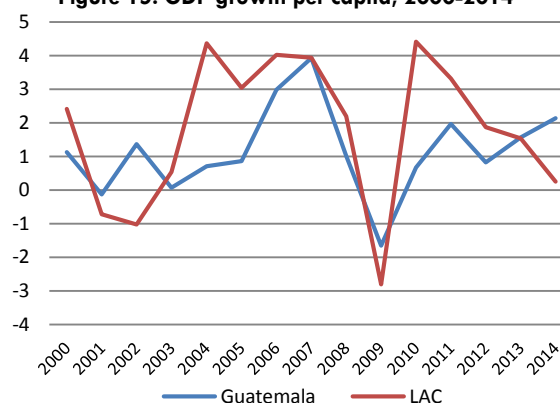
Table 19: Economic Key Facts⁹² (2014 est.)

GDP US\$	58.8 Million
GDP real growth	4.2 %
Doing Business (2015)	81 of 189 countries
Human Development Index ⁹³	0.627 128 of 188 countries
Gini Index (2011)	52.4 11 of 144 countries

A high ranking on the Ease of Doing Business Index means the regulatory environment is more conducive to the start-up and operation of a local firm.⁹⁴ The ranking is from 2015. The Human Development Index (HDI) measures the average of a long and healthy life, access to knowledge, and a decent standard of living. This Gini Index ranks the first country with the highest inequality while the number 144 has the highest equality.

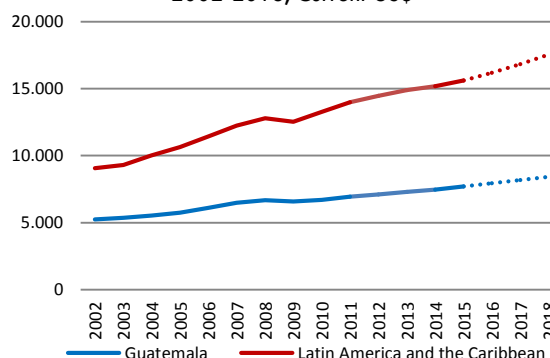
Data show that the GDP per capita growth trend has most been just below the LAC's average. But, in recent years, Guatemala has superseded the LAC's average growth (Figure 15).

Figure 15: GDP growth per capita, 2000-2014



Guatemala has a very high income inequality: The Gini Index estimated 52.4 and placed the country as number 11 out of 144 countries, next to Hong Kong and Zambia (Table 19). This inequality is also demonstrated by the growth of GDP per capita measured in Purchasing Power Parity (PPP). The latter is well below the LAC's average and the gap is projected to widen (Figure 16).

Figure 16: GDP per Capita (PPP) 2002-2018, Current US\$



The working poor in Guatemala has been on a declining trend, but continues to be slightly more present than the LAC's average (Table 20).

Table 20: Status of Working Poor⁹⁵

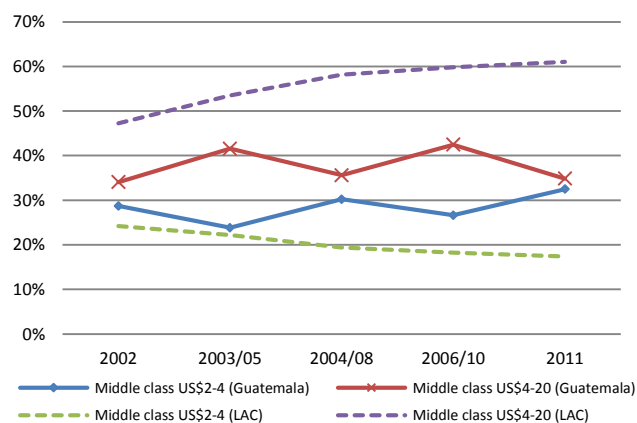
	Share of workers in total employment	
	1.9 US\$ a day	3.1 US\$ a day
Guatemala (2000)	7.5 %	17 %
Guatemala (2011)	5.6 %	14 %
LAC (2004)	8.3 %	18 %
LAC (2013)	4.0 %	9.2 %

Working poor measures employed people living for less than US\$1.9 and US\$3.1 a day, as proportion of total employment in that group.



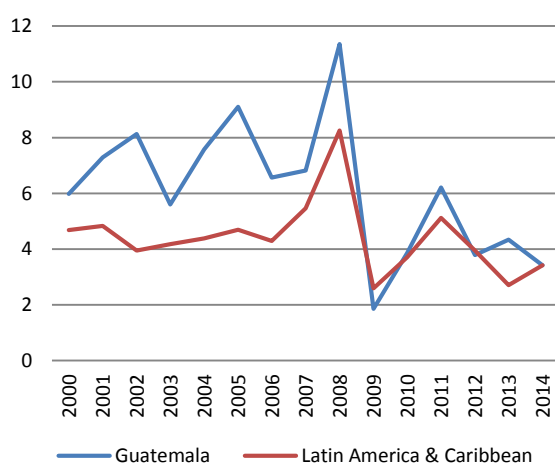
The middle-class in Guatemala has increased slightly from 2002 to 2011: The higher middle-class increased only from 34 percent to 35 percent, while the lower middle-class experienced a slight expansion from 29 percent to 32 percent, respectively. Figure 17 shows that the lower middle-class segment is higher than the Latin American and the Caribbean's (LAC) average. The LACs 'developing middle-class' is much higher, though.

Figure 17: Middle-class' trends in Guatemala and the Latin America⁹⁶ (2002/03-2011) (%)



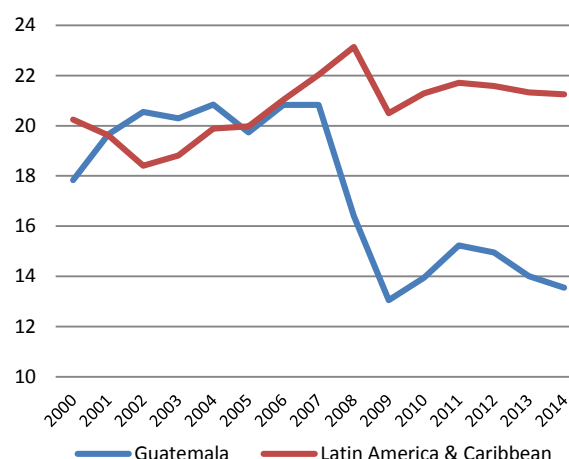
The inflation based on the consumer price has following the LAC's average and slightly hovering above it. After the fast increasing inflation in 2007-2008, which was related to the global financial crisis, the inflation has stayed below 6 percent (Figure 18).

Figure 18: Inflation trend



The capital formation also decreased after the global financial crisis and has not yet rebounded (Figure 19). By fiscal stimulus - as well as remittances from Guatemalans emigrants - did cushion the impact of the crisis.⁹⁷

Figure 19: Gross Fixed Capital Formation (% of GDP)



On the Doing Business Index, Guatemala was ranked at 81 out of 189 countries in 2015/16; and it is above the El Salvador's as well as the LAC's averages. Out of the ten indicators, the country's highest ranking is on getting credit (12 out of 189 countries) followed by paying taxes (52). However, several of the lowest rankings are low, i.e. protecting investors (174) and resolving insolvency (155). There has especially been registered some improvements on paying taxes and stating a business (Table 21).

Table 21: Ease of Doing Business in Guatemala⁹⁸

Topics	2015	2014	Change
Starting a Business	98	107	↑ 9
Dealing with Construction Permits	122	116	↓ -6
Getting Electricity	18	20	↑ 2
Registering Property	65	64	↓ -1
Getting Credit	12	10	↓ -2
Protecting Investors	174	174	No change
Paying Taxes	54	66	↑ 12
Trading Across Borders	102	104	↑ 2
Enforcing Contracts	143	141	↓ -2
Resolving Insolvency	155	154	↓ -1

Doing Business 2015 indicators are ranking from 1 (top) to 189 (bottom) among other countries. The rankings tell much about the business environment, but do not measure all aspects of the business surroundings that matter to firms and investors that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

Note: This Index has been controversial due to flawed data, especially in terms of labour market flexibility and undervalued paying taxes. However, the table can still be used as indicative measurement with reservations.⁹⁹



Tax issues are a pressing issue in Guatemala. First of all, the country has a very low tax ratio in terms of the GDP that was assessed at 11 percent in 2013. It can explain the deficient public funding of the social protection schemes as well as an insufficient public investments in infrastructure to create more jobs in the formal economy. As indicated, some tax reforms were enacted in 2012, to make the system less regressive, e.g. many tax breaks for high earners, firms and *maquilas* as well as relied heavily on an increase in customs taxes. This has initiated campaigners as a source for Guatemala's inequality.¹⁰⁰ In addition, this system is marred by corruption.

Guatemala's political surroundings have some diverging rankings in terms of the Governance Indicators during the period 2009-2014. Five out of six indicators entered declining trends. The country scores especially low in terms of rule of law; its ranking has stayed close as status quo, though. It was registered that the control of corruption decreased significantly. It should be mentioned that during 2015 Guatemala was affected by massive corruption scandals that led to the resignation of the President, Vice President, and numerous high-level economic officials.

The voice and accountability indicator is on a low-medium level. In contrast, the only indicator with a noted increasing ranking was the political stability. However, this has also been affected in 2015 by the political turmoil due to the mentioned corruption scandals.

Table 22: Guatemala's Governance Indicators¹⁰¹
2009-2014, Score & percentiles, and change

Indicator	2009	2014	Change
Voice & Accountability	-0.27/ 40%	-0.37/ 35%	↓
Political Stability	-0.94/ 19%	-0.64 / 24%	↑
Government Effectiveness	-0.69/ 28%	-0.71 / 25%	↓
Regulatory Quality	-0.12/ 49%	-0.19 / 48%	↓
Rule of Law	-1.07/ 16%	-0.99 / 14%	↓
Control of Corruption	-0.48/ 38%	-0.70 / 28%	↓

Note: The Governance Indicators score from -2.5 to 2.5 while the percentiles rank from 0 (lowest) to 100 (highest).¹⁰²

TRADE

The export sector is relatively well diversified, making it less vulnerable to changes in global demand. The export productions also have a somewhat good composition of skill requirements that make it more possible for skilled labour to be used in other sectors. Key agricultural exports include sugar, coffee, and bananas. Metal ores, natural rubber and crude petroleum oils are also important export products (Figure 21).

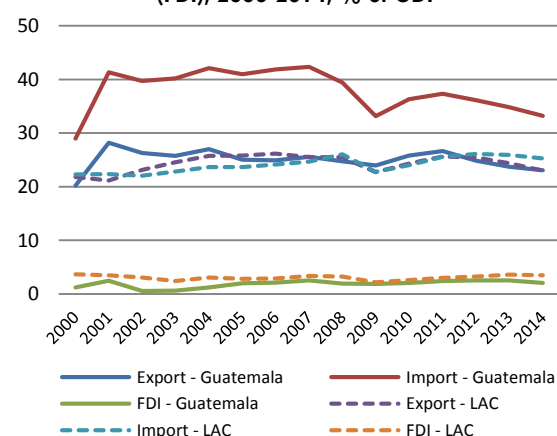
With a 23 percent of the GDP, the export sector is at a medium size (Table 23). Due to the *maquilas* the export sector has a prominent role on the labour market. The main export markets are the U.S., El Salvador, Honduras, and the European Union (EU) (Figure 22).

Table 23: Trade and Foreign Direct Investment¹⁰³, 2014

Exports	13,6 billion US\$ 23 % of GDP
Imports	19,5 billion US\$ 33 % of GDP
FDI Flow (average, 2010-2014)	1.2 Billion US\$ 2.0 % of GDP
FDI Stock	N/A

The Figure 20 shows a significant gap on the trade balance which has followed the economy many years. As an illustration the import sector as percent of the GDP has also been much higher than the LAC's average.

Figure 20: Export, Import and Foreign Direct Investment (FDI), 2000-2014, % of GDP¹⁰⁴



The 1996 peace accords, which ended 36 years of civil war, removed a major obstacle to foreign investment. Since then Guatemala has pursued reforms and macroeconomic stabilization. While the Dominican



Republic-Central America Free Trade Agreement (CAFTA-DR) has improved the investment climate, concerns over security, the lack of skilled workers, and poor infrastructure continue to effect foreign direct investment.

Based on the collected data, the Foreign Direct Investment (FDI) is relatively low – and as already mentioned, the capital formation is on a fast declining trend – which could signal that the import is more geared on consumption than productive investments (see also Figure 20).

Figure 21: Guatemala's product share of exports (2012)¹⁰⁵

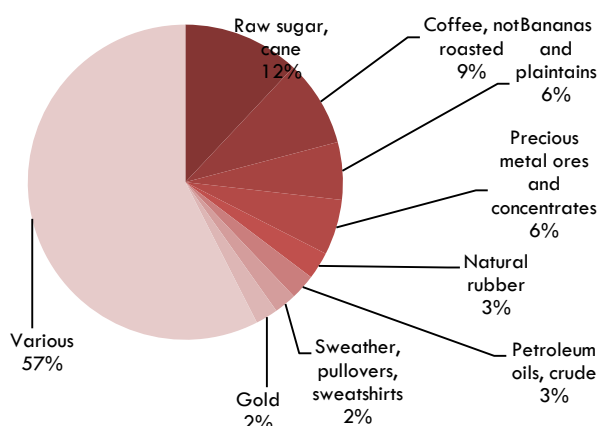
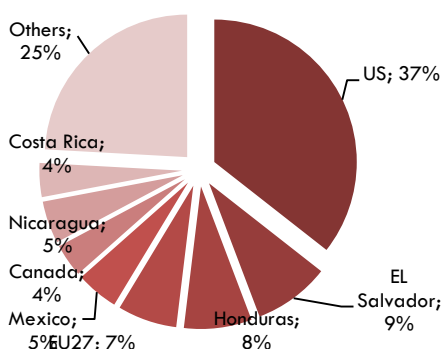


Figure 22: Guatemala's main export markets (2013)¹⁰⁶



Trade Agreements

Guatemala has bilateral trade agreements with Costa Rica, Mexico, Honduras, Panama, and Taiwan. It is also negotiating trade agreements with Canada, Chile, and Colombia. El Salvador and Nicaragua are also parties to the agreement but have yet to receive full implementation from their legislatures. Guatemala and India initiated in October 2014 to begin negotiations towards a free trade agreement. Guatemala is also part of the Central American Integration System, which

includes the Central American Common Market and has a Consultative Committee involving labour and works to harmonise education systems.¹⁰⁷

Guatemala is member of the CAFTA-DR, which was initiated in 2002. It is an agreement between the U.S. and Central American states, with the goal of setting up a free trade area. It requires the two countries to uphold the four core ILO labour standards, as well as acceptable conditions of work, in a manner that does not affect trade. It sets up a monitoring mechanism.¹⁰⁸

According to estimates from the ILO, the CAFTA-CR has created a net amount of 17,500 jobs in the agricultural sector in Guatemala. These are mostly informal, and with variations between the types of agricultural products.¹⁰⁹

CAFTA-CR has been controversial in the U.S. for not making enough labour and environmental requirements,¹¹⁰ as well as in the Central American countries for seeking to liberalize state owned enterprises and opening markets to subsidised U.S. agricultural products.¹¹¹ A dispute started back in April 2008, when six Guatemalan unions and the AFL-CIO filed a complaint with the U.S. Office of Trade raising a number of serious concerns, including trade union violence. There was a breakthrough in September 2014 when the U.S. proceeded with its labour enforcement action against Guatemala under the CAFTA-DR. The labour case is the first of its kind brought under a free trade deal.¹¹²

Based on the Office of the U.S. Trade Representative's 2014 assessment kept Guatemala on its Watch List, noting that U.S. exporters remain concerned that rulings on single – name geographical indications (GIs), particularly related to dairy products, may prohibit new marketing opportunities for those products in Guatemala. Also pirated and counterfeit goods continue to be widely available, and enforcement efforts are hampered by limited resources and coordination among enforcement agencies. Guatemala has been on this list since 2001.¹¹³

In mid-June 2013, Guatemala's Congress ratified the EU association agreement, which Guatemala signed along with Costa Rica, El Salvador, Honduras, Nicaragua, and Panama.¹¹⁴ In a final round of negotiations held in Guatemala in October 2014, delegations from the European Free Trade Association (EFTA) States and Guatemala substantially concluded free trade negotiations within the framework of the EFTA-Central America Free Trade Agreement (FTA).



The country benefits from EU's unilateral Generalized System of Preferences (GSP+) special incentive arrangement, which allows duty and quota free access for most products. To be granted and continue to be granted GSP+, a country must ratify and effectively implement conventions within human rights, environmental and the eight ILO Core Conventions. The European Parliament and European Council will examine each beneficiary every second year.¹¹⁵ GSP+ is very much a continuation of the 'special arrangement to combat drug production and trafficking', which Guatemala benefitted from before 2005. So far only Sri Lanka has lost GSP+ benefits due to poor human rights standards, but countries like El Salvador and Georgia has been scrutinised due to labour standards.¹¹⁶

Export Processing Zones (EPZ)

Guatemala established its first Export Processing Zones (or *maquilas*) in the 1970s. These *maquilas* are governed by Decree n° 65 of 1989.¹¹⁷ A company exporting for more than 51 percent of their production can be classified as a *maquila*, to be given tax breaks for 10 years. According to information provided by the government to ILO in 2011, there are 740 *maquilas* enterprises, six unions and three collective contracts covering 4,600 workers out of a total of 110,000 workers, of which 4% are covered by collective bargaining agreements.¹¹⁸

The *maquila* industry sector has been supported by the government for decades. Systematically the Labour Law

is very frequently not enforced. Management often manipulated employer-provided transportation to worksites to force employees to work overtime in export processing zones located in isolated areas with limited transportation alternatives.

As indicated, trade unions have a very low prevalence in this sector. When attempts to organize the workers they are fast and sometimes violently stopped through targeted or mass firing, death threats, blacklists or closing the plant.¹¹⁹

EPZs are mainly exporting to the U.S. within textiles and manufacturing, with a total of US\$560 million.¹²⁰

The minimum wage in 2015 in EPZ was set at 2,451 Quetzal (US\$320) per month, which is 7 percent lower than the regular national minimum wage (see also Table 5).

According to ITUC, over 75 percent of the EPZ workers are women, and most are driven out or not rehired when reaching 35 years of age. Pregnancy is often not tolerated.¹²¹

A numerous cases of gross negligence tend to underscored based on a report from the International Confederation of Free Trade Unions (ICFTU). Despite the limitations of data availability that come from 2004, it was found that EPZ workplaces were generally unsafe. Eight of ten Guatemalan factories surveyed did not meet minimum health and safety standards.¹²²



APPENDIX: ADDITIONAL DATA

Table 24: Trade Unions in Guatemala¹²³
2015, Members and Collective Bargaining Agreements (CBA)

Trade Union	National affiliation	Total Members	Women Members	No. of CBAs	Workers covered by CBAs
FESEBS Federación Sindical de Empleados Bancarios y Servicios (Trade union Federation of Banking and Service Workers)	Global Unions of Guatemala	2,500	-	-	-
FESTRAS Federación Sindical de Trabajadores de la Alimentación, Agroindustrias y Similares (Trade union Federation of Food, Agroindustry and Related Industry Workers)	Global Unions of Guatemala	5,000	40%	-	-
SINCS-G Sindicato Nacional de la Construcción y Servicios de Guatemala	Global Unions of Guatemala				
SNTSG Sindicato Nacional de Trabajadores de la Salud de Guatemala (National Trade union of Health Workers in Guatemala)	Global Unions of Guatemala	23,000	-	1	50,000
STEG Sindicato de Trabajadores de Educación de Guatemala (Guatemalan Trade union of Education Workers)	Global Unions of Guatemala	100,000	-	1	200,000
USTAC Unión Sindical de Trabajadores de la Aeronáutica Civil (Civil Aviation Workers Trade union)	Global Unions of Guatemala	750	-	1	900
FESOC Federación Sindical Obrero Campesina (Agricultural Workers)	-	-	-	-	-
FENASTEG Federación Nacional de Trabajadores del Estado de Guatemala (State Workers)	-	-	-	-	-
FETRAMEGUA Federación de Trabajadores Metalúrgicos de Guatemala	Global Unions of Guatemala	-	-	-	-
FESTEG Federación Sindical de Trabajadores de la Energía de Guatemala	-	-	-	-	-
FESITRASMMAR Federación Sindical de Trabajadores de la Madera, Medio Ambiente y Recursos Naturales	-	-	-	-	-
FEGSTRAM Federación Guatemalteca Sindical de Trabajadores Municipales (Municipality Employees)	CUSG	-	-	-	-
FENASSEP Federación Nacional de Sindicatos de Empleados Públicos (public workers)	-	-	-	-	-
FETRACUR Federación de Trabajadores Campesinos y Urbanos	-	-	-	-	-

Note: Table 1 has registered a total of 895 active trade unions. Based on the limitations of data availability, this table presents only a fragment of the trade unions. Still it can be used as a fast view of the status of several trade unions.



Table 25: Ratified ILO Conventions¹²⁴

Subject and/or right	Convention	Ratification date
Fundamental Conventions		
Freedom of association and collective bargaining	C087 - Freedom of Association and Protection of the Right to Organise, 1948	1952
	C098 - Right to Organise and Collective Bargaining Convention, 1949	1952
Elimination of all forms of forced labour	C029 - Forced Labour Convention, 1930	1989
	C105 - Abolition of Forced Labour Convention, 1957	1959
Effective abolition of child labour	C138 - Minimum Age Convention, 1973	1990
	C182 - Worst Forms of Child Labour Convention, 1999	2001
Elimination of discrimination in employment	C100 - Equal Remuneration Convention, 1951	1961
	C111 - Discrimination (Employment and Occupation) Convention, 1958	1960
Governance Conventions		
Labour inspection	C081 - Labour Inspection Convention, 1947	1952
	C129 - Labour Inspection (Agriculture) Convention, 1969	1994
Employment policy	C122 - Employment Policy Convention, 1964	1988
Tripartism	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976	1989
Up-to-date Conventions		
Working time	C014 - Weekly Rest (Industry) Convention, 1921	1988
	C106 - Weekly Rest (Commerce and Offices) Convention, 1957	1959
Elimination of child labour and protection of children and young persons	C077 - Medical Examination of Young Persons (Industry) Convention, 1946	1952
	C078 - Medical Examination of Young Persons (Non-Industrial Occupations) Convention, 1946	1952
	C124 - Medical Examination of Young Persons (Underground Work) Convention, 1965	1989
Wages	C094 - Labour Clauses (Public Contracts) Convention, 1949	1952
	C095 - Protection of Wages Convention, 1949	1952
	C131 - Minimum Wage Fixing Convention, 1970	1988
Migrant workers	C097 - Migration for Employment Convention (Revised), 1949	1952
Specific categories of workers	C110 - Plantations Convention, 1958	1961
	C149 - Nursing Personnel Convention, 1977	1995
Social security	C118 - Equality of Treatment (Social Security) Convention, 1962	1963
Occupational Safety and Health	C120 - Hygiene (Commerce and Offices) Convention, 1964	1975
	C148 - Working Environment (Air Pollution, Noise and Vibration) Convention, 1977	1996
	C161 - Occupational Health Services Convention, 1985	1989
	C162 - Asbestos Convention, 1986	1989
	C167 - Safety and Health in Construction Convention, 1988	1991
Freedom of association (agriculture)	C141 - Rural Workers' Organisations Convention, 1975	1989
Industrial relations	C154 - Collective Bargaining Convention, 1981	1996
Equality of opportunity	C156 - Workers with Family Responsibilities Convention, 1981	1994
Employment policy	C159 - Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983	1994
Labour administration and inspection	C160 - Labour Statistics Convention, 1985	1993
Seafarers	C163 - Seafarers' Welfare Convention, 1987	2008
Indigenous and tribal peoples	C169 - Indigenous and Tribal Peoples Convention, 1989	1996
Fundamental Conventions are the eight most important ILO conventions that cover four fundamental principles and rights at work. Equivalent to basic human rights at work.		
Governance Conventions are four conventions that the ILO has designated as important to building national institutions and capacities that serve to promote employment. In other words, conventions that promotes a well-regulated and well-functioning labour market.		
In addition, there are 71 conventions, which ILO considers "up-to-date" and actively promotes.		



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