

Assessment of Public Data Collection Systems for Informal  
Labor Sector in Guatemala

**Circulation Report**

**PILAR**

**Promoting Informal Labor Rights**

**(Promoviendo los Derechos del Trabajo Informal)**

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## A) INTRODUCTION & FORWARD

### Forward

Well developed and effectively implemented Government programs start with good data. Obvious though this may sound, it is often one of the most overlooked and underfunded aspects of effective policy creation and implementation in many economies. Whether targeting trade or pro-poor economic policies of the kind that the Global Fairness Initiative (GFI) advocates, Governments must begin with the right information and analysis of existing conditions in order to deliver effective programs. Proper data and statistics create a fundamental base for reform and help decision-makers understand where resources are used most effectively and where the greatest impacts can be achieved. At the conception and during the life of a program, statistics also play an important role in creating consensus and demonstrating legitimacy of development expenditures and efforts for measuring progress and helping participants understand the value of the program. The report that follows this forward must be read and understood from this fundamental perspective. What is assessed and revealed is of core importance to the success of the promotion of informal sector labor rights and of worker rights and programs through Guatemala.

In Guatemala, statistical figures indicate that over 60% of workers are employed in the informal sector. Lacking social protection, proper representation, and core labor rights make these workers some of the most vulnerable members of society. While a number of initiatives are working to improve data collection and help national governments understand how policies affect workers, accurate data on the marginalized informal sector groups that represent over half of the population remains lacking.

In partnership with the Guatemalan Government, labor unions and private business GFI is working to address the information and social protections gap and help develop strategies that extend labor rights and benefits to informal worker communities. Simultaneously, we are developing initiatives to incentivize the move to formalization so that the umbrella of rights, information and public participation might be more readily extended to these marginalized sectors. A key component of our work is to foster an enabling policy environment where governments can create innovative strategies for engaging informal worker communities, but this requires better data and statistics on labor trends in the informal economy.

The gathering and analysis of data is only the first step to addressing current worker conditions, the dissemination and use of this information is ultimately the most crucial step for achieving the impacts that translate into improved wages and opportunities. Without the data to start, however, the implementation can never legitimately occur. Through a results-driven multi-stakeholder approach that engages workers, employers, government, and civil society, GFI is helping public institutions improve their data collection methods and fostering links across sectors that allow for the movement of timely and relevant information aimed to improve labor rights and decent work opportunities.

In this moment of economic and financial uncertainty it is essential to engage the workers and communities who lie outside the formal institutional structures that dictate our global financial and economic system. The following report presents an overview of the labor and employment statistics infrastructure as it relates to the informal economy of Guatemala. Also included is a series of recommendations and reflections on opportunities for improving statistical capacity in a way that translates to on the ground impacts in workers lives. Current economic conditions may create challenges but also present unique opportunities for reforming both national and global policies and structures. As the development community looks to create sustainable systems within an equitable economic system, access to and distribution of information only grows in importance. Without improving the statistical capacity of developing nations, we may never realize this opportunity for improving livelihoods of the working poor.

*Caleb Shreve, Executive Director, GFI*

## Introduction

The informal sector is a robust and important component of most developing country economies. Not only are workers and companies in the informal sector a key factor in the production process, but also important providers of employment, income and opportunities, both in rural and urban areas.

Despite the importance of the informal sector, national surveys, particularly those capturing labor and employment data, fail to document the actual amount of workers whose livelihoods depend on informal or unprotected forms of labor.

Statistical evidence illustrates the nature of the challenges existing within Guatemala's labor market. Currently, the Guatemalan workforce is comprised of 66% men (2004)<sup>1</sup>, 27% of whom are between 15 and 24 years old, and 63% between 25 and 64. Almost 80% of the workers have a low level of education only 4% have a higher education. The percentage of rural workers is slightly higher than urban (51% vs. 49%).

The unemployment rate in 2004 was 2.1% (unemployed/labor force), with a slight rise regarding the year 2000 (1.4%). It is likely these figures are much larger given current economic conditions. The most vulnerable groups include youth and women, between 15 and 24 years old (3.8%).

45% of workers are wage earners, 32% self-employed, 19% employed in non-income or familiar work, and the remaining 4% entrepreneurs. 70% work for small companies and 4% in the public sector. Labor market structure is classified as: Primary Sector (39%), Industrial Sector (14%), Trade Sector (23%), and Education and Health (9%). The informal sector's earnings are considerably lower than the formal's, with wages around \$6.3/h compared to \$13/h in the formal sector.

Measuring the informal sector and informal labor (both informal labor in the formal sector and labor in the informal sector) is a key element for making improvements in labor statistics and accurately accounting for GNP. As the informal sector is not yet integrated into Gross National Product measurements for most developing countries, limited information is available about the relationship between the informal sector and economic growth. Where information is available, the data is often collected *ad hoc*, undermining efforts for streamlining data collection and cross-country analysis.

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<sup>1</sup> SEDLAC. Socio-Economic Database for Latin America and the Caribbean. Base National Survey on Employment and Income. 2004. The National Survey on Employment and Unemployment (ENED, Spanish acronym) was carried out on the fourth quarter of 2007. Its results were still not available by the end of 2008.

A clear disadvantage regarding deficiencies in collection of official statistics on the informal sector and informal labor is the distortion of figures approximating real economic activity. More importantly, the lack of accurate and reliable information limits the understanding of social and economic issues pertaining to informal activities, such as differences in income and working conditions between the formal and informal sectors, social protection systems, access to credit, training and markets, etc. Ultimately, the measurement challenges lead to weakened systems for assessing, designing and implementing public policies and programs that promote gender equality, the elimination of child labor, generation of decent work opportunities and the reduction of poverty.

In Guatemala, a high percentage of the population cannot access benefits such as health care, social security or work-place training opportunities traditionally provided by employers or negotiated through unions. The subsequent lack of access merits an examination of current mechanisms utilized for collecting data on the informal sector, current institutional or political barriers, and the importance of gathering information that allows for better understand informality and the opportunities for reforms that favor the formalization of workers. As with many developing countries, Guatemala is characterized by the weakness of its institutions. Indeed, the State lacks certain financial, human and technological resources needed to provide essential public goods that promote fair and sustainable development. Furthermore, past political and social experiences with conflict and dictatorship have limited Guatemalan society's tradition of democratic and plural processes for developing strategies to improve poverty and marginalization.

Given historical circumstances, informality continued to grow in the absence of efficient pro-poor policies and industrial and labor relations reforms that could otherwise establish mechanisms of inclusion and an effective expansion of civil and social rights. This was exacerbated by the fragmentation and instability of the party system, and particularly by the weakness of labor union organizations. At the same time, the local business sector showed an unwillingness to engage in cross-sector collaboration or support efforts for strengthening the State's ability to achieve greater levels of autonomy and administrative capacity.

Accordingly, The United States Department of State sought programs to address the underlying issues surrounding informality and labor rights in Guatemala. DOS subsequently selected the Global Fairness Initiative (GFI) in partnership with Poliarquía Consultores to implement the Project for the Promotion of Informal Labor Rights (PILAR) in Guatemala. PILAR's objectives are to improve government capacity to collect data on the informal sector while developing strategies that encourage

formalization and extend labor rights to informal sector workers. The expected results are development of best practices for government data collection on the informal economy, extension of labor rights provisions to informal sector workers, and development of new policies or reforms that encourage formalization.

This document contains the assessment of the public data collection system on informal labor in Guatemala. The assessment begins with a review of international standards used by countries with reliable and accurate information gathering systems. Different agencies or ministries with mandates for collection and distributing statistical information have also been studied in order to understand available tools and capacity. Available literature regarding the current unemployment situation in Latin America, employment measurements, public policy regarding formalization of informal workers and some case studies were examined and interviews of key actors both in Guatemala and internationally (by telephone and in person) were conducted to obtain a more nuanced perspective on labor informality and the actual condition of the data and information gathering systems in Guatemala<sup>2</sup>.

The following section introduces a number of conceptual definitions and international recommendations for measuring unemployment and informality fundamental to this document. Next is a chapter outlining the evaluation of the current measurements of informal labor in Guatemala. The conclusions and recommendations section brings together final observations regarding the assessment of Guatemala's data measurement mechanisms, current knowledge about the informal sector in Guatemala and potential contributions of the PILAR program.

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<sup>2</sup> The in-depth interviews conducted include high officials and technicians from the National Statistics Institute, from the Bank of Guatemala, from the Secretariat of Planning and Programming for the Presidency (known by its Spanish acronym SEGEPLAN), from the Labor Department. Similarly, interviews were also conducted to outstanding representatives from international organizations such as the United Nations Development Program and renowned NGO leaders, besides prestigious journalists and academicians from Guatemala and Latin America specialized in informality and statistics measurements.

## **B) MEASURING UNEMPLOYMENT AND INFORMALITY: CONCEPTUAL DEFINITIONS AND INTERNATIONAL RECOMMENDATIONS**

This chapter introduces a set of conceptual definitions that provide insight into the complex issues related to defining and measuring informality. International recommendations concerning the measurement of informal labor and its processing are outlined as a basis of comparison for later assessments of the official methods of data collection about employment currently available in Guatemala. Following the conceptual framework of labor force surveys is a discussion regarding the operationalization of measurement tools according to international best practices and standards. The final component addresses and the presentation and dissemination of collected information.

International standards and classifications are based on practical country level practical experiences that are then shared allowing for the harmonization of methods, cross country comparisons, and shared experiences for reforming and improving national policies. Furthermore, compliance with international standards creates the vital legitimacy both nationally needed to build buy-in and support for improving the country's competitiveness and investment opportunities.

Official efforts for measuring informal labor statistics must be carried out through labor force data collection and processing methods that are constructed in accordance with international standards and recommendations. Not only does this guarantee compliance with technical elements, but also ensures that public discussions and policy action surrounding informality will be based on common statistical methodologies that accurately describe problems and provide insight into opportunities for solutions.

The ILO cites, three considerations when measuring labor informality. The first is regarding the conceptual framework for designing labor force surveys that classify various types of economic activity. The second is and the structure and operationalization of internationally acceptable methods for measuring informal labor. Finally, the ILO looks at how collected information (both on informal and formal labor) should be presented.



## **B) 1. CONCEPTUAL FRAMEWORK: MEASURING INFORMAL LABOR**

According to the ILO's Conceptual Framework for informal labor, the informal economy contains two variants of labor: workers exclusively operating in the "informal sector"<sup>3</sup> and informal employment relationships that exist within the formal sector of an economy<sup>4</sup>. The above definition of informal labor is based on a process that looks at the dual sources of informal employment. First, businesses or economic units should be defined by whether they are considered as part of the "informal sector." Second is an analysis of the individuals working within these organizations in comparison with the general population and workforce at large.

Mechanisms for informal labor measurements have been increasingly coordinated over the last 20 years and the evolution of international recommendations demonstrates the challenge of measuring informality and developing streamlined measurement processes. Modifications and changes over time have helped improve the understanding of informal labor, while also contributing greatly to the development and inclusion of statistical instruments and methodologies on informality in larger data collection efforts.

In 1982, the ILO hosted the Thirteenth International Conference of Labor Statisticians (ICLS), where guidelines were established that categorized the different conditions of economic activity as well as calculation instruments for measuring national labor market data<sup>5</sup>. Between 1982 and 2003, changes developed in three crucial aspects related to measuring informality and the labor market: a) growing definitions regarding the concept of "informal" labor; b) tools and measurement units used for analyzing informal sector labor dynamics, and c) how to implement the new concepts and tools agreed upon<sup>6</sup>. This evolution is described below providing further insight into the implications of these adjustments as they relate to current tools for informal labor measurement.

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<sup>3</sup> Formal labor is believed to exist even within what is known as informal sector, though it is assumed as a minority group.

<sup>4</sup> ILO. 14th International Conference of Labour Statisticians (ICLS). General Report and Report from the Geneva Conference, 1987; ILO. 15th International Conference of Labour Statisticians. General Report. Geneva, 1993; ILO. International Labour Conference. 90th Session 2002, Report IV, "Decent Work and the Informal Economy", Sixth point of order; ILO 17th International Conference of Labour Statisticians. Report I General Report 2003.

<sup>5</sup> Please see "Resolution concerning statistics of the economically active population, employment, unemployment and underemployment" (1982)

<sup>6</sup> The elements considered in order to resolve these issues were:

Definition of Informal Sector (as per established at the XIV ICLS in 1987 and improved in the XV ICLS of 1993);  
Determination of Employment in the Informal Sector (as per established in the XV ICLS) and, finally,  
Statistical Calculation of Informal Labor (referred to in the Guidelines of the XVII ICLS, 2003).

### Informal Sector

The XIV ICLS held in Geneva in 1987, was the first time the ILO held a discussion specifically targeting improvements in tools for measuring informality and capturing quality data describing the informal sector. General guidelines were then established helping to outline a broad conceptualization of the "informal economy."

The following classification of the informal sector in developing countries was established:

- a) Rates of rural-urban internal migration
- b) Enterprise activity operating outside of or at the periphery of established markets
- c) Prominence of self employed or small and medium enterprises
- d) Workers with incomes below average formal sector wage levels
- e) Existing under an institutional statute and in marginalized geographic areas always bordering on legality
- f) Economic units repressed by the State and with few alternatives aside from small-scale production

For developed countries that also may experience certain examples of informality, the 1987 conferences described it as:

- a) Existence of loss of income in the social security contribution
- b) Abuse of social security benefits
- c) Unfair competition
- d) Promotion of illegal migration
- e) Exploitation
- f) Erosion of legality
- g) Deficient or non-reliability of statistics on national income and
- h) Distortion of data for macro-economic policies and international comparisons

Given national level experiences, the ILO first established a definition that considered the informal sector as one that:

*“includes those independent activities at a small scale, developed with or without paid workers, characterized by their functioning with a low level of organization and technology and whose main objective is to create jobs and generate revenue for its participants; these activities are considered to be hidden, to the extent that they lack formal approval of the authorities and are beyond the administrative mechanism responsible for ensuring compliance with the laws about minimum wages and taxes, as well as other similar instruments related to tax issues and working conditions”<sup>7</sup>.*

From this first definition, it was clear that employment generated from economic activities with the above classification on the "informal sector" were to be considered as "informal labor". A suggestion was made to distinguish between "labor in the informal sector", labor in the "traditional sector", "hidden labor" and labor considered as "non-market production".

The **"traditional" sector** was classified as unincorporated businesses primarily dependent on labor (rather than capital infrastructure) for production process and tend to employ less than 5 workers. **"Hidden labor"** was defined as workers who operate without any form of administrative authority or legal contract, although the nature and production of the work itself is not illegal per se. A typical example is the case of "street vendors" where the presence of the work itself is in violation of regulatory law but not a criminal offense as in drug trafficking.

Two primary issues were addressed throughout the various International Conferences: a) hidden labor could happen within the formal sector of economy (for example, the case of illegal workers in formal businesses); and b) in the informal sector, there were activities not necessarily considered "hidden" (for example, the case of a rural migrant precariously settled in a business, who may not have a deep knowledge of the administrative rules, or who has problems, either managing or financial, to comply with them).

The fact that the economic units involved "non-market production" are typically family enterprises, (small by nature and usually possessing low levels of technology) relates them to classifications of informality when in fact, these activities do not meet the two requirements necessary to belong to the

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<sup>7</sup> ILO. 14th International Conference of Labour Statisticians. General Report. Geneva. 1987.

informal sector: the concealment of the activity and the creation of jobs as a protection against unemployment or involuntary inactivity.

Accordingly, international recommendations stated that *"the non-market production should perhaps be left out of the scope of the informal sector activities, for their integration into it might dilute the concept of informal sector. However, it should be added that many economic units that, besides producing for the market, also produce for personal consumption, could fall within the scope of the informal sector, but for reasons other than those of the non-market production"*.<sup>8</sup>

Clarifications on these issues made it possible to better define the concept of informality.

### Labor in the Informal Sector

When measuring the informal sector the term "informal" refers primarily to the "economic unit" where the activity is conducted. Therefore, a person is only considered a worker in the informal sector if they are employed in an economic unit belonging to the informal sector. This has two implications:

- a) Two people can be equally classified as belonging to the informal sector because they belong to the same economic unit -, even if they have a very different set of descriptive variables relating to their work situation and
  
- b) People employed by both formal and informal economic units can have a multiplicity of situations with formal - non-formal combinations, creating ambiguities that cannot be captured in the classification of labor as either formal or informal. –

The key to this conceptualization of the "informal sector", aimed at "capturing" informal labor, rests on understanding the original attempt of linking the "economic unit" with the "employed population". This was then incorporated into the changes that took place regarding characterization of informality, resulting in a shift in focus towards measurement of informality **based on workers rather than establishments**. The previous way of measuring was very ambiguous given the "economic unit" identified had to be defined as "informal" or "formal" using a series of legal attributes that were not helpful in carrying out household surveys.

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<sup>8</sup> ILO. 14th International Conference of Labour Statisticians. General Report. Geneva. 1987.

### Informal Labor

The final result of the XIV Conference of the ILO was a distinction between labor in the informal sector and informal labor in general with recognition of the existence of informal labor within the formal sector of the economy. Not merely a conceptual expansion, the conference also introduced ideas of data collection that are critical for understanding how informal labor is measured today.

## **B) 2. OPERATIONALIZATION - MEASUREMENTS OF INFORMAL LABOR**

The main areas examined in data collection, namely, the selection of measurement variables and sources for data collection are readily available for countries participating in ILO forum. Gathering quality measurement of informal labor depends on the correct application of such standards<sup>9</sup> which indicate that: a) the concept of informal labor should be translated into descriptive variables; b) such variables are then turned into operational elements and c) operational elements are in turn translated into collection instruments.

With regard to item c), the following is suggested: i) – combination of enterprise and household surveys, ii) consideration of new labor environment determined by far reaching household surveys with labor specific components -and iii) –measurement of informal labor - by means of household surveys, with special attention to the characteristics of the job (not of the economic unit or the company) and with an emphasis on the need to insert in-depth modules designed to complement the traditional permanent labor Household Survey (PHS).

When statistical measurements used to measure informal labor are based on internationally accepted principles, they follow a double standard of regularity and depth of analysis. It is therefore necessary to use a measurement tool that allows the completion of the labor measurements with more in-depth measurements of informal labor, the most appropriate of which the Labor Force Household Survey. Originally guidelines for measuring informal labor were drawn from empirical studies of informal labor primarily carried out in capital cities. This limited the analysis to a select group of workers or economic structures and was based on a small number of sample units. These early studies lacked the quality estimates resulting from sampling designs that did not cover more representative populations.

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<sup>9</sup> See in detail at <http://www.ilo.org/public/spanish/bureau/stat/techmeet/icls/subjects.htm>

The ILO's Fourteenth Conference of Labor Statisticians recognized in its final assessment that developed countries had created: "*ingenious investigation techniques and analytical methods, most of them also with an experimental basis, intended primarily to estimate the dimension of the informal sector*". These measurement attempts, not ruled by international regulations, were intended to identify the "shadow economy", whose estimate necessarily resulted- from the calculation of national income.

Estimates varied considerably and were difficult for comparative analysis. Even within the same country estimates were often the result of researchers following their own non-standardized methodologies. The Fourteenth International Conference of Labor Statisticians reported that such attempts "*do not have the validity of official statistics and informal sector statistics need to be integrated into the regular systems of national statistics*"<sup>10</sup>.

The process based on implementation of household surveys, was supplemented with questions - used for establishment surveys, and description of the occupations again by means of household survey variables. With these dynamics it became evident that - some variables which described informality were hard to manage "directly". This made it necessary to simplify the approach through a "practical definition" more closely identified with capturing the characteristic of the establishments themselves.

The ILO then created a practical definition of<sup>11</sup>: "*labor in the informal sector covers all the people who are employed during the reference week in: a) a non-registered economic unit, or b) a registered economic unit with characteristics similar to those of non-registered economic units from the corresponding branch of economic activity*". The drawback that arose in applying the practical criterion was the difficulty of conducting establishment surveys within a household survey framework.

The new concept for "statistical measurement of informal labor" established in the XVII ILO Conference made it possible to begin consideration of people as the main observation unit for measuring informal labor. This acknowledgement that informal employment could exist within the world of formality (labor precariousness) led to the belief that quality measurements of informal labor required labor force surveys which:

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<sup>10</sup> ILO. 14th International Conference of Labour Statisticians.

<sup>11</sup> Please see aforementioned ILO 14th International Conference of Labour Statisticians (this enablement, though updated in the XV and XVII Conferences also quoted, was kept unmodified in its general terms).

- a) Measures conditions of economic activities
- b) After identification of individuals, general variables such as pension contributions could be used to describe informality

***Permanent Household Survey (PHS)***

Quality informal labor measurement requires -a labor force survey or a permanent household survey designed according to international standards provided by ILO. This household survey instrument is closely related to - the construction of the concept of "informal labor" -

Three issues should be considered:

- A. The main objective of a PHS is to describe the labor force structure and its evolution.
- B. The labor force is defined with reference to the concept of Economically Active Population (EAP) which captures ongoing trends
- C. Surveys measure the labor force through analysis of conditions of people's activity. It is important to briefly describe each of these elements to better understand how to correctly measure informal labor through instruments such as labor force surveys, which allow for analysis of EAP

Evaluation of a country's development should be based on systems that look at the interaction of economic, political and social elements. Internationally accepted information systems include: the System of National Accounts (SNA), the System of Social and Demographic Statistics (SSDS) and the Environmental Statistics System. While not the only instrument, the PHS is the most important information gathering instrument of the SSDS as it allows for a unified notion of development, and contributes to a systematic description of aspects of socio-economic structures.

The PHS was developed in response to the need to build a model and system of socio-economic statistics whose scope and content could describe how society functions. The general objective of PHS is to characterize the socio-economic situation of a particular community. Specific objectives include: (a) aspects related to the socio-demographic make up of the population, the ways in which the population is responsible for the production of goods and services, the ways in which society is

involved in the distribution of goods and services and (b) the creation of a set of social or socio-economic indicators.

Taking these objectives into account, the data collection instrument is defined as a survey with the following features:

1. A program of systematic and ongoing data collection;
2. Analytical units of households and individuals;
3. An urban - rural –dimension which accurately represents the country's make up
4. Coverage in periods between national-census,
5. Allowance for differentiated analysis of data in both static or temporary (cross-sectional) and dynamic means of longitudinal monitoring

As noted above, the PHS is specifically aimed at observing how the population plays into the production of goods and services. In this sense, the study of the labor force looks at key factors of production in each economy as they relate to the people who are available to work. The concept of Economically Active Population (EAP) was created to accomplish this. EAP refers to *"the people who actually work or who are otherwise actively seeking to do it."*

The study of the EAP complements the more macroeconomic analysis and allows for development of human resources, assessment of employment policies, monitoring of social policies, economic planning, and attention to issues such as child labor, sexual or age discrimination in the workplace, and informal labor. Additionally, it provides useful indicators to businessmen about the future course of the economy.

#### Permanent Household Survey: Measurement of Informality

As one of the fundamental areas of PHS looks at the ways in which the population provides for the social distribution of goods and services and subsequent analysis of wealth distribution, the, PHS creates a platform for looking at informality issue.

This approach states that measurements of informal labor requires a labor force household survey is utilized whose design is based on analysis of the condition of activity of workers based on the methodological framework provided by ILO. The labor force survey must also be considered a



multipurpose survey created to collect data related to employment that provides different types of systematic and routine information about certain key indicators of informal labor.

Measurement of informal labor is planned at the time information is collected from individuals within a household, and is preceded by inquiries into employment conditions. It is then possible to for on larger employment analysis based on a satellite system of surveys or in-depth modules specific to certain issues deemed important. For example, the module of informal labor can be applied within a household survey on the labor force. By taking advantage of the existing logistics for field work and an already identified national sample it is possible to establish modules of thematic in-depth analysis at specific times and over consecutive years to look at issues such as informality, unemployment, migration and child labor

***The Quality of Informal Labor Measurement within the Conceptual Framework of the PHS.***

Considering the above it is clear why accurate measurements of informal labor depend on a quality labor force survey. The operationalization of the concept "informal labor" depends on design of a household survey that will question employed people about the characteristics of their jobs and this requires a well-designed and properly functioning labor survey.

**Other Forms of Collection of Labor Data**

A National Statistical System includes other datasets with information on general employment. While used for measuring informal labor it should be noted that such datasets are not designed to measure employment, since they are not specifically focused on such measurement. Labor is measured as a way to address the main cornerstones for which such operations have been designed.

Among the most important of these datasets are the following:

- Household Income and Expenditure Surveys, Living Condition Surveys;
- Population censuses;
- Administrative agencies;
- Establishment surveys (businesses, shops)

Household Income and Expenditure Surveys represent an interesting case for while employment inquires are often amongst the first set of questions, they are designed to access the other

information more efficiently. As a result, some of the more specific employment data is sacrificed in favor of a broader understanding of the issue being examined. Household Income and Expenditure Surveys are a good way to begin analysis but should not be considered a replacement for a permanent household labor force survey.

### **B) 3. DISSEMINATION AND PRESENTATION OF INFORMATION.**

The third element internationally recognized for data collection looks at the presentation and dissemination of collected information. Currently, recommendations are for general employment data and do not specifically include provisions for informal labor.

In its XVI ICLS, the ILO offered series of best practices regarding the dissemination of information. The ILO's recommendations drew from the IMF's Special Data Dissemination Standards (SDDS). Established in 1996, the SDDS provide guidelines for the disclosure of the general statistics by those countries that choose to adopt the methodology. SDD guidelines favored publication of fiscal, financial or foreign trade information. Using the IMF as a model, the ILO decided to apply similar criteria when looking to establish a first set of guidelines for dissemination of labor statistics. Looking to further develop the criteria, in 1996 and 1997 a commission was established to investigate country level best practices that would serve as a basis for future international recommendations.

The most significant aspects presented during the XVI ICLS are offered below to show the importance of providing official labor market data democratically and on a regular basis:

*"In October 1982, the 13th International Conference of Labor Statisticians (ICLS) adopted a resolution on statistics about the economically active population, employment, unemployment and underemployment. The purpose of this resolution is to provide all countries, in particular the least developed ones, technical guidance in the field of statistics and improve international comparability of statistics related to these issues. The resolution discusses the objectives and scope of statistics, the basic concepts and definitions and the main analyses and classifications, as well as the data to be collected on special topics. It also establishes general guidelines on the evaluation and dissemination of results.*

*Over the years, available data about the economically active population, employment, unemployment and underemployment have grown and improved significantly in many countries. With this, economical and political functions which go beyond the description of the labor force situation of a given country have been included.*

*At present, data on employment and unemployment are considered indicators of social welfare as well as economic or labor results. These data exert influence on voters'*

*decisions, stock markets, capital flows and investments. In many cases, they also condition the geographical distribution of large sums of money for public funding.*

*As these statistics are very important for decision-making and individual welfare, their production and dissemination procedures are studied both by specialists and by those who are not. Therefore, governments need to focus on creating appropriate measures for the public dissemination of labor statistics".*

International guidelines allow for circulation of credible, accessible and reliable employment and unemployment statistics. Participants in the ILO XVI ICLS, agreed on the rights of the citizens to access labor market information. Recognition of this right implies a civic obligation for Democratic States to allow their citizens to access information. Similarly the inclusion of the clause "accepted practices" indicates a standard level of (X) that should be achieved regarding data dissemination. Failure to properly circulate "official" statistics regarding the labor market undermines efforts to improve institutional strength and democratic processes in a given country. While no country is forced to follow the guidelines, withholding labor market information does not allow for transparent analysis of the country's institutional capacities or an evaluation of their compliance with international standards.

To summarize the ILO recommends: common practices outlined by the ILO are:

**Access**

1. *Access to the data and the metadata to be actively marketed and published should be facilitated.*
2. *A series of statistical products should be drawn from each set of data using appropriate media for each case.*
3. *The professional training of labor statisticians should cover the qualifications and technical expertise needed for the purpose of designing tables and charts to communicate the information effectively to those who are not statisticians; training should also include the ability to present and disseminate information.*
4. *The main aggregates relating to the labor force should be disseminated first, free of charge, as public domain publications; the fundamentals of the policy applied in terms of publication prices should also be explained to the public.*
5. *The statistician responsible for the data derived from labor statistics should ensure that his name or telephone number is listed in all corresponding statistics publications; the statistical agency should also establish other means of direct contact with users, such as user groups and hotlines.*
6. *The statistical agencies should consider the supply of data and metadata to international organizations as an activity of equal importance to the supply of data to their own customers; international organizations should, in turn, adopt guidelines in terms of dissemination.*
7. *The conditions under which statistics are developed and published, including labor statistics, should be of public domain.*

8. *The agencies in charge of the technical responsibility and the task of preparing analytical comments about the information should also have responsibility over their dissemination.*

9. *The date and time of circulation of labor statistics should be notified in advance. It is better to proceed as early as possible, although initially the dates are to be set provisionally. When it is not possible to comply with the deadlines, the public must be informed about the reasons for the delay.*

10. *The data should be disclosed the same day and exactly at the same time to all people concerned. In case confidential information is provided to journalists, it should be done in terms of “the strictest confidence”.*

11. *Should it not be possible to refuse requests for prior access to data made by government officials, the number of people with granted access should be limited to the absolute minimum; the names and positions of these people should also be disclosed, as well as the notice period.*

12. *The comments and Ministry statements formulated upon disclosure of statistics should be clearly distinguishable from those formulated by the statisticians.*

### **Data**

13. *In the event of major shortcomings regarding the national totals for employment and unemployment, users should be warned, and that clarification should be repeated every time the data are published. Whenever it is possible to provide reliable enough subtotals, this availability should be timely publicized.*

14. *Likewise, users should have full knowledge of the reference period to which the data correspond.*

15. *If the countries have the necessary resources, and there is an evident demand on the part of the users, the main aggregates should be published, at least, quarterly. The necessary information for the detailed structural analysis of the labor market should be published, at least, once a year.*

16. *Labor statistics should be published as soon as possible after the data have been compiled and analyzed. When the source consists of a household survey or an establishment survey carried out monthly or quarterly, the data for the main aggregates should be available typically within three months after the completion of the corresponding reference period; the data of the annual surveys should be published around midyear of the period of reference.*

### **Quality**

17. *Updated documentation on the definitions, methods and sources used to prepare the labor statistics should be published regularly, with an indication of the degree to which they adjust to international recommendations.*

18. *In the event of two or more sources of data, reconciliations or comparisons among them should be published periodically. Similarly, statistical frameworks and accounting systems that allow statistics verifications should also be established.*

19. *Should revisions be necessary, users are to be warned well in advance, and the implementation of the revisions should be based on a repertoire of practical recommendations.*

20. *The statistical agencies should draw estimates for the missing periods every time the collection or the collation of data is interrupted. Similarly, the impact of the discontinuities should also be assessed.*

## **B) 4. CURRENT KNOWLEDGE OF GUATEMALA'S INFORMAL SECTOR-**

A number of existing reports in Guatemala do reference the issue of informality<sup>12</sup>. The current documentation allows for some understanding of the informal sector and looks at areas such as social characteristics, the relation to poverty, migration, and marginalized communities lack of access to education, healthcare, justice, and social security. While broad in coverage, the existing publications are not based on a common statistical methodology and provide only a partial analysis of informal labor dynamics. Some reports are based on surveys included as part of the Inter-American Development Bank (IDB) program the "Improvement of Surveys and Measurement of Living Conditions in Latin America and the Caribbean" (known by its Spanish acronym, MECOVI). Others are from surveys conducted on an *ad-hoc* basis outside of the national statistics system. The divergent methodologies utilized for collecting data makes it difficult to compare results and critically analyze policies geared towards labor rights and formalization of the labor force.

The existing reports have been helpful in identifying **three subsectors currently operating within the informal labor market**:

- a) **Informal labor as a "shelter" or survival strategy-** This relates to structural poverty issues in Guatemala and pertains to those who lack an individual or familiar culture of labor formalization. This type of informality is usually found within economies possessing high levels of income inequality, and countries who lack effective public policies (fiscal, social and affirmative action policy, among others), for addressing income distribution issues<sup>13</sup>.
  
- b) **Informal labor as a strategy to maximize income** – This pertains to employers who operate within more formal capitalist structures but often fail to meet legal & tax obligations. To some extent current challenges are a result of the complex national tax system and high costs of compliance with existing labor legislation. Given the difficulties surrounding compliance with national laws, employers find little incentive for investing in public institutions and social programs. Local banking systems compound the problem as they do not meet demands for financing mechanisms resulting in the development of informal financing networks which also remain outside national tax jurisdictions. It is clear that the more micro-economic elements related to

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<sup>12</sup> Amongst the main, the following are the most noteworthy: - The last UNDP report on Human Development has a whole chapter about this issue – A study was carried out by the Ministry of Labor in 2007, with ILO's support, and its field survey was carried out by a private party. - There is a study carried out by the World Bank in 2007 – The expert Hernando de Soto conducted a study as UNDP consultant for Guatemala where the diagnosis on informality is treated in depth. – The NPO CIEN has been carrying out studies on informality and has recently issued a document about the subject.

<sup>13</sup> In specific cases, street vendors, for instance, it is presumed that there are contacts with nets linked to piracy and other illegal activities.

informal labor are important considerations for the design and implementation of effective public policies.

c) **Informal labor as a complement or counterpart of the formal sector.** While somewhat linked to the discussion in the previous paragraph, of precarious labor, this type of informality involves private enterprises of greater size and sophistication actually considered formal. Ironically, this type of informality not only affects workers in the private sector workers but also those in the public sector including, workers from the National Statistics Institute (INE). Many bureaucracies rely on contractors (such as pollsters within INE) whose employment contracts are not in line with national laws.

The 2007/2008 UNDP National Human Development Report<sup>14</sup> proposed that *“informality is the manifestation of poverty and the inequalities that arise in free market societies when they do not undergo a modernization process in an orderly manner, or when a stagnation crisis affects them (...). Informality is also a confirmation of the existence of faulty state institutions that force the citizens in trouble towards informalization of their life projects”*<sup>15</sup>.

The focus of the UNDP report is on identifying groups or communities that have not managed to develop their skills within a formal scheme and have in turn remained marginalized thus turning to informality as a survival strategy. This marginalization is marked by inequalities in socio-economic status, and is also differentiated by ethnic, geographic, or gender distinctions. The diverse make up of these groups who all touch on informality has been a challenge for development of common indicators.

The UNPD report introduces three definitions of informality used to within the Guatemalan context. The first being the type of work<sup>16</sup>, the second enterprise size<sup>17</sup> and third whether workers have a contract or are enrolled in social security. The report does offer insight into the makeup of Guatemala’s informal sector and offers some conclusions including:

1. In 2006, around 70% of workers were in situation of informality.

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<sup>14</sup> National Report on Human Development 2007/2008. Guatemala: an economy at the service of human development? (UNPD)

<sup>15</sup> National Report on Human Development 2007/2008. Guatemala: an economy at the service of human development? (UNPD), p.384.

<sup>16</sup> It includes: self-employed or independent workers with a low educational level; owners of small businesses; domestic workers and the non wage-earners.

<sup>17</sup> Must have under six workers.

2. Workers in rural areas are more likely to experience labor informality than those in urban areas.
3. Indigenous workers are more vulnerable to informal labor than non-indigenous people.
4. Workers in age cohorts (under 17 and older than 64) are most likely to be employed in informal labor.
5. The level of education is directly related to incidence of informal labor. Workers with a lower level of education tend to work without a contract, have lower productivity rates, and are generally employed in small businesses, with no affiliation to the Guatemalan Institute of Social Security (IGSS).

The UNDP report is consistent with data collected by SEDLAC<sup>18</sup> during the 2004 National Survey of Jobs and Income. This study found that 69% of adult workers in Guatemala are employed in informal conditions, one of the highest rates experienced in Latin America along with: Bolivia (73%), Paraguay (70%), Peru (66%) and Ecuador (63%).

While current reports from Government, trade unions, labor focused NGOs and other civil society organizations are important sources of information on the informal sector, sole reliance on indirect or partial data from diverse statistical methodologies is not recommended. Such reports offer complimentary and comparative analysis points but for independent and quality informal labor measurements that drive targeted and effective policy making, official instruments must be developed in accordance with international recommendations and guidelines.

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<sup>18</sup> SEDLAC. Socio-Economic Database for Latin America and the Caribbean. National Survey on Employment and Income. Year 2004

### C) GENERAL ANALYSIS OF THE MEASUREMENT OF INFORMAL LABOR IN GUATEMALA

A national institute of statistics should be organized in a way that effectively and efficiently responds to statistical needs for policy making across diverse sector and social interests. Government Ministries then act as the primary users of independently generated data for achieving their mandates of developing appropriate and responsive public policies.

The specific case of the Labor Ministry demonstrates this relationship as Ministry officials should receive assistance from independent statistical agencies in gathering the labor market data needed to inform public policy. The independence and neutrality of the statistics themselves is what gives credibility and legitimacy to Ministry officials and builds trust amongst constituents and the general population. Finally bifurcation of the user (Labor Ministry) and collector (National Statistics Agency) is instrumental in limiting political biases for public policies.

The primary challenge facing Guatemala and its efforts to gather quality informal labor measurements is **the lack of institutional, human and financial resources available for collecting and analyzing labor market data within the official statistical system.** It is strongly recommended that countries utilize instruments such as the Household Survey for measuring the Labor Force. Guatemala's National Institute of Statistics (INE) does not carry out a regular systematic measurement of the national unemployment rate nor is there an ongoing survey schedule for systematic measurement on the Economically Active Population (EAP). This issue had already become apparent by the late 1990's and early 2000.

Two local influential leaders in the field of statistics agreed on the primary challenges Guatemala faces regarding the generation and dissemination of official information. Both the United Nations Development Program (UNDP) in Guatemala, and a local NGO dedicated to and specializing in informality studies published reports outlining the difficulties the country was experiences trying to consolidate institutions producing national public data, particularly on the labor sector<sup>19</sup>.

The analysis highlighted two factors contributing to Guatemala's institutional statistical capacity limitations related to informal labor **the absence of official information on the primary challenges**



facing the country, and - in the cases in which information does exist - its restricted circulation. An additional factor cited is the lack of “**tradition or a culture that utilizes statistics to direct discussion and decision-making on development policies**” (UNDP, 2002). The cultural element is especially applicable to the quality of the measurement of informal labor.

**Three challenges** related to generating official statistics were also mentioned at the beginning of the millennium by the UNDP-Guatemala: **the lack of systematization when producing information; credibility of the data obtained and; weaknesses in the ability to use the generated information.** All three elements are consistent with the analysis regarding the lack of "statistical culture" and practice of democratically debating labor issues and policies. Sources partly relate this shortcoming to Guatemala's experience of military dictatorships and the subsequent manipulation of information and State secrets<sup>20</sup>. An ongoing challenge is the difficulty in creating a systemized or harmonized process for gathering and organizing information. The result are “gaps in information and “disruptions collection” as reflected in the lack of an ongoing household surveys process.

**The lack of statistical culture results in difficulties institutionalizing the links between generating public and official information and its relations to sustainable economic and social development.** Statistical information is not given the level of importance it warrants in designing effective development policies. In addition, the **lack of communication and coordination between government institutions , the public and private sectors** results in duplicative efforts and a poor harmonization of concepts, definitions and procedures,. The result is an ad-hoc and diverse process for gathering statistical information that is then difficult to compare and use as a basis for decision-making.

Throughout its history, **the Guatemala National Institute of Statistics has not been able to develop an Integrated System of Surveys based on sustained and permanent measures of the labor market**, which would eventually allow for more in-depth studies of informal labor. In absence of permanent measures in line with international standards for labor market data collection methods, various household surveys whose designs include only partial information on the labor market have been utilized.

The various household surveys has allowed for period updates regarding non-registered jobs over the years. However, as the surveys were of varying nature (population censuses, labor force surveys,

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<sup>19</sup> See Center for National Economic Research (CIEN, Acronym in Spanish), 1998.

living conditions surveys, income and expenditure surveys, among others), updates on non-registered jobs rely on an amalgamation of the diverse tools being utilized to explore various labor market and population trends. It is therefore not possible to use them as comparison instruments when studying aspects related to informal labor.

According to the director of a local and influential NGO, **INE's management is experiencing challenges managing the large amount of data collected.** The lack of qualified personnel and appropriate technology also delays the production of official statistics or results in certain areas simply not being measured.

INE also is affected by fact that **its budget depends on and is designed under budget frameworks developed by the Economics Ministry.** The lack of economic independence and inability to manage its own budget explains why INE has historically been influenced by politically motivated programs requiring generation and dissemination of public statistics. Under the current framework of limited administrative and budgetary independence, there is little to no institutional structure protecting against attempts to politically manipulate resource allocation for public statistics.

It is also worth mentioning two important sources of income used to sustain operations for the Institute for National Statistics, income from the State ("source 11") and income from international cooperating such as the World Bank (called "source 61"). Given that a large portion of financing depends on international cooperation, programs of integrated survey systems are not sustainable, because they require regular financing and administration from outside sources. It is clear that **INE officials have a good sense of the institutional reforms needed to plan annual activities and studies.** However, the lack of budget and/or political will makes it undeniable difficult to realize these changes.

Over the last few years, efforts have been made to generate an Integrated System of Household Statistics in Guatemala. However, although there have been examples of censuses and surveys consistent with international standards, these operations have not had a common national sample pool or a coordinated timeline to link them in a way that allows for proper understanding of **the idiosyncrasies found in informal labor trends.**

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<sup>20</sup> See CEH (1999), Guatemala: Memory of Silence, Ciudad de Guatemala, February.

The lack of information on general employment over the past three years in Guatemala is indicative of **the low level of administrative institutionalization regarding public statistics**. In 2008 for reasons that were not clearly communicated, it was not possible to utilize the results of the previous years' national labor force survey. As that particularly survey (Employment and Unemployment, ENED) has been discontinued, it was also not possible to publicize results and information for 2009. **While the new 2008/2009 National Survey on Family Income and Expenditure (ENIGFAM) is scheduled to be conducted this year however, labor market data will not be available until at best 2011**. Supposedly, the 2008/2009 ENIGFAM is going to account for missing data due to the suspension of labor force components of household surveys.<sup>21</sup>.

Over the last decade, INE has conducted targeted surveys on households, with limited labor market components. The partial data on employment provided by instruments designed for varied purposes, makes it difficult to look at broader labor market issues and does not provided the robust data that leads to legitimate in-depth studies of labor trends over time. This is particularly important given that without reliable and systematic information, it is difficult to design effective public policies that promote sector specific competitiveness.

Also relevant is the varying objectives (conditions of life, household income and expenditure, population censuses) of modules included in collection efforts by INE when trying to gather information on the EPH. Thus, **inquiries into informality are not prioritized and remain subordinate to measurement designs for the specific objectives of each collection effort. This further complicates understanding informality as it is not possible to make comparisons over time given the different instruments**.

From **2003 and 2004, INE conducted a labor force survey that was re-designed in concordance with international standards**. The National Survey of Employment and Income (ENEI) was scheduled to be an ongoing survey which would provide updated measurements on general labor market data. This survey was also to include measurements of, informality, either by studying its trends under various general indicators, or by taking advantage of its capacity to carry out more in-depth analysis through existing survey instruments. Unfortunately, this initiative has been discontinued as according to officials working there is no longer continued public financing for the program. As a result, to date there is no **systematic survey that primarily focuses on "employment" and labor and the surveys of INE remain outside any integrated institutional**

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<sup>21</sup> The Employment and Unemployment Survey (ENED, Acronym in Spanish) 2008 introduced some controversy that led to the non

**system.** In summary, it is clear that Guatemala faces significant challenges regarding **the three principle international recommendations regarding generation of public labor and employment statistics, particularly on the informal sector.**

- Failure to measure the general unemployment rate (lack of on going data on economically active population (EAP) which is inconsistent with the recommendations of the 1982 ILO Thirteenth International Conference of Labor Statisticians.
- Lack of specific labor force survey (consistent with international standards) indicates non compliance with the recommendations of the XVII ICLS regarding the generation of information on informal labor.
- Non standardization regarding dissemination and publication of employment statistics as described by the ILO during the XVI ICLS.

It is also worth noting that at the time of personal interviews were conducted, – three months after research was completed – the fundamental challenges identified were deepening to a significant degree. Specifically, during the research period of this report, a significant budgetary adjustment was made in the governing agency of public statistics for Guatemala. According to qualified sources, the Economics Ministry had to make a 20% budget reduction of which almost 80% came from the INE budget.

The result of the budget reduction was a nearly 60% decrease in staff and dismissal of budget "line 029". This affected the National Survey of Family Income and Expenditure (ENIGFAM), the Farming Survey (ENA)<sup>22</sup> and the Unit for Continuous Ratings and Statistics, which is in charge of the Consumer Price Index (CPI). Some of the most well-trained and qualified staff with long tenures at INEH and those who had participated in labor market research such as ENCOVI, ENEI, and population censuses were let go.

Given the historical trend of providing limited public financing for official statistics, the recent budgetary adjustment only exacerbates the issues outlined in this report. Numerous working groups have been terminated and various technical experts sent to perform other functions. The most

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publication of the information.

significant change has been regarding the coordination of ENIGFAM, which held the greatest potential for gathering updated labor market statistics particularly on the informal sector.

The new ENIGFAM has undergone a complete staff reorganization. Currently, the total number of technical experts and members of the original team have been reduced. Two analysts were dismissed due to budget cuts and the person in charge of IT transferred to help with data efforts part of the *Mi Familia Progres*a program. Finally, the former director has been re-staffed to coordinate the 2012 Census. Only one analyst from the original ENIGFAM team has remained<sup>23</sup>. The major restructuring has delayed efforts to collect new labor market data. At best, ENIGFAM will take place during May 2009 - April 2010, which in turn means that Guatemala will have no new employment data until the beginning of 2011, with the latest available statistics stemming from the previous MECOVI survey, in 2006<sup>24</sup>.

Statistical agencies should be regarded as serving civil society organizations. Their contribution is to provide timely useful information that leads to solutions addressing societal and economic challenges. In that sense, agencies like INE must gain the support and buy in across sectors through demonstrating their credibility as generators of reliable legitimate public statistics.

Fostering thus type of respect and support can only be done through a public agency that maintains a strong tradition of democratic principles and position of independence from political interests. A virtue of standardized processes for agencies charged with generating official statistics is to strengthen continuity of processes and results differentiating the agency from more ad-hoc surveys or political trends.

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<sup>22</sup> According to our sources, this operation involved the dismissal of 19 technicians out of a total of 25. It is not possible to guarantee today that this operation continues, given it is of the biggest importance, among other things, for the Bank of Guatemala to provide basic figures on gross income.

<sup>23</sup> These movements in the role had been continuously affected; by the end of this report there was the will to reestablish a team of technicians that could carry out a new ENED project, virtually suspended over 2 years ago. Its purpose would be to reinstate a quarterly employment survey.

<sup>24</sup> In a recently published article, a prestigious former director of the Bank of Guatemala assured the following regarding the changes that INE has been suffering lately: *"the rumors circulating in academic arenas about the INE assessing the possibility of cutting out the coverage of some of its usual surveys (such as Consumer Price Index – CPI) and postponing the realization of others (such as the National Survey on Family Income and Expenditure – ENIGFAM, Spanish Acronym), is certainly worrying. This carries the threat of leaving analysts orphan of statistics, even more than they are already used to. These rumors have an evident basis: the annual budget of INE approved by the Congress for 2009 (which is of Q28 million) is 40% smaller than last year's and, according to hearsay, most of the Q20 million taken away from INE were assigned to other expenses to be executed by NPO's. Should this happen, we would be tragically moving backwards in the process of building a modern and trustworthy statistical system for which a first condition is an adequate budget for the wages of the professionals and teams this type of activity requires. This system also needs the statistic information to be produced by free thinking professionals, with no political interference, and with a scope for the general public with no alterations or party contamination. It would be a pity that by allotting resources to "censuses" required by the program "Mi Familia Progres*a" (no matter how important it may be), the INE neglected his fundamental tasks, such as CPI or ENIGFAM."

Mario García Lara, "Statistical Orphanhood". Prensa Libre. March 3rd, 2009.

a. INE should be provided permanent staff, guaranteed in the public budget, and ruled by legal-administrative criterion in a stable and sustained manner. Failure to comply with this condition leads to the following consequences:

- (1) Lack of administrative career options
- (2) No ability to guarantee salaries
- (3) Technicians forced to do “what they can”, given existing limitations.
- (4) Lack of the adequate personnel, specifically survey sampling statisticians and demographers crucial for an Institute of Statistics
- (5) Low salaries for the few survey sampling statisticians and demographers

Despite the challenges, **opportunities do exist for Guatemala to address and resolve the inadequacies of their public statistics system, particularly its ability to measure and analyze informal labor.** Technical experts and senior officials within INE and other public departments are fully aware of the deficiencies within the official statistics system on labor matters as well as the lack of coordination and integrated system for statistics. High level members of President Álvaro Colom’s administration have made issues of employment a priority and, institutions such as the UNDP - and various NGOs are also working on proposals and ideas to address the current challenges. .

**A number of positive elements** have potential to help strengthen the Guatemalan statistical system. In in-depth interviews conducted during field work establish that:

**INE:**

- There is a strong understanding amongst technical regarding the importance of establishing a routine multipurpose survey which includes measurements of the labor market and is consistent with international standards.
- Political will exists amongst planning authorities to submit to higher level officials a Management Plan which for household employments surveys through 2012.
- Complimentary initiatives of political and social actors outside of INE can help support the expressed interest and political of INE officials. PILAR can contribute to this by bringing together a variety of actors in order to generate dialogue and multi-stakeholder networks that will allow a more fluid interaction amongst all parties, interested in advancing in this field.

### **The Ministry of Labor:**

- There is a willingness to encourage and support INE in its effort to establish an ongoing Program of Household Surveys that will provide the Ministry with adequate information for revising and developing national labor policy.
- The Director of Statistics within the Labor Ministry is supportive of the current manager of INE and confident in their ability to carry out this effort.

### **The General Secretariat of Planning and Programming of the Presidency (SEGEPLAN):**

- Lengthy and in-depth discussions during interviews with SEGEPLAN revealed a belief that Guatemala's challenges stem from the absence of an "administrative culture of public statistics" which is counterproductive continuous public financing for generation of public statistics and a politically independent agency. .
- Upon completion of this report, SEGEPLAN was in discussion regarding launching a new initiative that would strengthen public statistics. It appears that the Economic Ministry is supportive of these discussions.
- SEGEPLAN is interested in participating in the PILAR program

### **The Central Bank of Guatemala:**

- Members of the Management of National Accounts have expressed their full willingness to support initiatives designed to ensure a systematic measurement of employment that include adjusted estimates of the added value of the informal sector of economy.
- There is agreement that INE should be the institution in charge of managing this initiative.

In conclusion, it is clear that there is a high level of consensus amongst key agencies and individuals working on official public statistics regarding the deficiency of the current system. Nonetheless, these actors lack a coordinated approach to the underlying challenges and have very limited access to international support for any potential efforts. There is much to be gained by directly pursuing the identified opportunities and building momentum for reforms.

## **D) CONCLUSIONS AND CONTRIBUTIONS OF THE PILAR PROJECT**

We now offer our conclusions regarding the measurement of informal labor in Guatemala, ideas regarding the potential contributions of the PILAR project or similar initiatives, and recommendations regarding improvement of Guatemala's national data collection system.

Official labor market data creates a basis of analysis for national employment trends. Regardless of political outcomes, reliable data provides an ongoing and politically neutral source of labor force information for designing and developing effective public policies. By maintaining consistency with international standards, decision makers and the public have access to non-partisan figures reflecting the state of the economy and labor markets trends

Efforts to understand and reduce informal labor must be considered an important component to any initiative aimed at strengthening Guatemala's institutional capacities. While challenging, a systematic and effective program targeted at state institutions is particularly important for issues of public information and statistics.<sup>25</sup> Given the complexity and diverse nature of informality and informal labor, an independent, self-sufficient system of official statistics, with adequate financial resources and the mandate to disseminate public information is necessary for effective administrative and regulatory policies. As the government faces the influence of lobbying and diverse sector interests, it is nearly impossible to achieve results on informal sector labor rights or development through unilateral state mechanisms. An effort must be made to focus on key sectors and modify existing incentives in order to gradually improve compliance and make both workers and employers see benefits associated with compliance.

It is also necessary to strengthen the organizational structure of INE, and allow for better administrative planning that will address the agency's current deficiencies regarding measurements of employment data, particularly on the informal sector. The autonomy of the current National Statistical Institute is a key factor to achieving this as politicization of the agency is less likely if INE's role is strengthened through an independent budget.

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<sup>25</sup> In this respect, it is worth mentioning that the Peace Agreements included a process of modernization of the State and an improvement of the Statistic System. Peace Agreement N° 11 About the Timetable for the Implementation, Fulfillment and Verification of the Peace Agreements, signed in the city of Guatemala on Dec 29th, 1996, carried Subtitle 32, About the Modernization of Public Administration, in its Item IV, Paragraph C. This subtitle established the following commitment: "To decentralize the support systems, including the Purchasing and Contracting, Human Resources and Information and Statistics systems, as well as the Administrative and Collection systems".



Furthermore, the funding for INE should depend less on international agencies and increasingly on State resources. Funding should be determined independent of political prerogatives and rely on routine administrative support from the national public budget.

Guatemala does not need drastic changes in order to carry out reforms that would bring public statistics in line with international standards. Diverse resources exist within and outside of the government and challenges stem more from a lack of political will and administrative authority than from a deficiency in the capabilities of national actors.

Ultimately, the coordination of institutions involved in the development of a reliable system of public statistics is the responsibility of the Guatemalan Government, but programs like PILAR can play a role of support for development of these efforts. The following suggestions outline the potential contributions programs like PILAR can make in helping jumpstart locally owned processes:

**A roundtable for state institutions responsible for statistics generation** - It is possible to work together on consolidating and leveraging existing political/administrative will for improvements in public statistics. By generating and coordinating a politically neutral open space where diverse actors (government, worker, private sector, civil society) can discuss the issue with higher level decision-makers, an institutionalized mechanism can be created for ongoing and sustainable improvements regarding labor market data gathering and dissemination.

A number of areas could be addressed and discussed by authorities in such a forum including:

- Organization of an Internal Seminar for discussion and debating the current needs related to official employment measurements.
- A follow up seminar that looks at how to design an integrated system of employments surveys consistent with international standards.

**A Training Module with curriculum on international recommendations regarding informal labor measurements** can be targeted on a country-specific basis through field work such as interviews conducted for this report. For example, in Guatemala focus areas should include:

- International Recommendations on the Measurement of EPA (ILO).
- Recommendations on measurement of informal labor (ILO and Delhi Group, and U.N. SCN).

- Recommendations on rules for the publication of measurements (ILO, IMF and the United Nations).

A second phase would **look to broaden the coalition of support through awareness building and advocacy for a diverse group of economic, political and social actors**. This phase would emphasize a more holistic approach that looks into how all societal actors can profit from a gradual formalization of the labor market, primarily resulting from increased competitiveness. Along those lines, a multi-stakeholder seminar that looks to strengthen the relationship and build trust between the State and civil society, (including the private sector, trade unions, academicians, journalists, NGOs, and other opinion makers) is advised.

Engaging diverse stakeholders, particularly trade unions and employers, has an added advantage in formalization due to increases in labor standards and joint efforts aimed at enhancing the qualification of the labor force and the competitiveness of different sectors. Similarly, the Guatemalan Government can look for strategic partners (both in the region and in Europe or the U.S.) that will support the country's commit to both long and short term improvements in matters of statistics and public employment information.<sup>26</sup> Finally, the importance of public information should be emphasized throughout as an inalienable obligation of the State<sup>27</sup>. Best practices regarding access to information in the region can be included, such as the consolidation of the Federal Institute for Public Information Access in México.

## Conclusions

The phenomenon of informal labor and the informal sector is one that continues to challenge countries around the globe. Given the complex nature and diverse makeup of informal activity, designing and implementing effective public policies has proven extremely challenging. Crucial in this effort is gathering the data and information needed for policy makers to understand the issue and craft appropriate solutions. To achieve real success when looking to improve the livelihoods of informal sector and marginalized workers, strengthening the capacities of national statistics systems must be a priority.

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<sup>26</sup> The Twinning Projects are an economical, creative and very effective tool to transfer institutional quality from countries which enjoy it to countries that lack it. This mechanism is used as part of the process of harmonization of the institutional engineering in the EU. They require an important effort from the candidate countries to implement thorough reforms in different areas and therefore comply with the demanding prerequisites the EU requests to grant full membership. Thus, the Twinning Projects are nothing but a quite simple aid mechanism that allows to overcome technical and political difficulties in specific areas of Public Administration.

<sup>27</sup> The Act on Access to Public Information will come into force next June in Guatemala, and it would be interesting to analyze its appropriateness regarding Public Statistics.

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## E) Appendix- Interviews

	Name	Institution	Position	Sector	Country
1	Mr. Eduardo Baumeister		Expert Consultant on Labour and Informality Coordinator General,	Academia	Argentina
2	PhD. Pedro Galin	ILO	Project of Cooperation 2006	Academia	Argentina
3	Mrs. Clyde Charre de Trabuchi	Member of the Interamerican Institute of Surveys (IASI)	President 2008- 2010.	Academia	Argentina
4	Mrs. Rosa Gemini.	National Institute of Statistics and Surveys	Director Between 2003- 2004	Government	Argentina
5	Ms. Andrea Lorenzetti	National Institute of Statistics and Surveys	Department of Household Permanent Survey Under	Government	Argentina
6	Ms. Lucía Vera	National Institute of Statistics and Surveys	Directorate of Diffusion, Under Director Between 2003- 2004	Government	Argentina
7	Ms. Nora Rucceli	National Institute of Statistics and Surveys	Analyst in charge, Module of Informality, Household Permanent Survey 2005	Government	Argentina
8	Mr. Ernesto López	Argentinean Embassy	Ambassador	Government	Guatemala
9	Mr. Juan Pablo Pira	ASIES	Analyst	Think Tanks	Guatemala
10	Mr. Luis Linares	ASIES	Director, Former Minister of Labour	Think Tanks	Guatemala
11	Ms. Irma Rodríguez de Lara	Central Administrative Directorate, National Institute of Statistics Central Technical	Director	Government	Guatemala
12	Mr. Ricardo Ávila	Directorate, National Institute of Statistics	Director	Government	Guatemala

	Name	Institution	Position	Sector	Country
13	Mr. Hugo Maúl	CIEN	Senior Analyst	Think Tanks	Guatemala
14	Ms. Flor de Maria Figueroa	Directorate of Communication, National Institute of Statistics	Director	Government	Guatemala
15	Mr. Edwin Portillo	Directorate of Planning, National Institute of Statistics	Director	Government	Guatemala
16	Mr. Jaime Mejía	Directorate of Surveys, National Institute of Statistics	Director	Government	Guatemala
17	Mr. Juan Luis Font	El Periódico	Director	Journalism	Guatemala
18	Ms. Rosa María Bolaños	Prensa Libre	Journalist	Journalism	Guatemala
19	Mr. Carsten Flint Hunneche	Fundación Mario López Larrave	Advisor, Danish Unions	Labor	Guatemala
20	Mr. Francisco Mendoza	Fundación Mario López Larrave	Director	Labor	Guatemala
21	Mr. Mario Pivaral	General Secretary of Planning	Advisor	Government	Guatemala
22	Ms. Karin Slowing	General Secretary of Planning	Director	Government	Guatemala
23	Ms. Waleska Aldana	General Secretary of Planning	Advisor	Government	Guatemala
24	Mr. Ángel Arévalo	Ministry of Labour	Advisor	Government	Guatemala
25	Mr. Guillermo Gándara	Ministry of Labour	Advisor	Government	Guatemala
26	Mr. Abel Cruz	National Institute of Statistics	Former General Director	Government	Guatemala
27	Mr. Carlos Mancia	National Institute of Statistics	Survey Coordinator General	Government	Guatemala
28	Mr. Néstor Guerra	National Institute of Statistics	Results Analyst	Government	Guatemala
29	Ms. Simona Yagenova	Observatory of Social Movements, FLACSO	Chief Investigator	Academic	Guatemala
30	Mr. Edelberto Rivas	UNDP (United Nations)		International Organization	Guatemala

	<b>Name</b>	<b>Institution</b>	<b>Position</b>	<b>Sector</b>	<b>Country</b>
31	Mr. Gustavo Quan	UNDP (United Nations)		International Organization	Guatemala
32	Mr. Guillermo Rocha		Informal Sector Expert	Academic	Perú
33	Mr. Javier Iguiñiz		Professor	Academic	Perú
34	Mr. Jorge Salazar	Universidad Católica de Perú	Informal Sector Expert	Academic	Perú
35	Mr. José Rodríguez	Universidad Católica de Perú	Professor	Academic	Perú
36	PhD. Aníbal Quijano	Universidad Nacional Mayor de San Marcos	Professor Emeritus	Academic	Perú