

## Minimum Wage Problems and Policy in Guatemala<sup>1</sup>

*Economic development, whether spontaneous or generated, is not necessarily or naturally uniform in every industry; and the pattern of growth does not automatically conform to the existing or desired equilibrium. In fact it often tends to set up new stresses if uncontrolled. The creation of a particular economic and social structure requires purposefulness as well as energy from the State, business men and other economic agents, for a country's progress is measured as much by its ability to share out its wealth as to produce it. The wage earners, in particular, are entitled to a fair share in the prosperity which they have played a part in creating and which offers a means of helping the worst-off workers, whose poverty is especially acute in the underdeveloped countries. The example of Guatemala, which is described here on the basis of an investigation on the spot supplemented by more up-to-date information, shows that a minimum wage policy is a counterpart of any economic development plan.*

WHILE Guatemala is today going through a period of economic prosperity, the statistics and other material on the trend of prices and wages over the past few years which are quoted and discussed in this article show that a high proportion of the lowest-paid workers have had little or no share in this national well-being. As soon as the present Government came to power it drew up a plan for improving the lot of the working class, the legislative decree of 29 April 1957 respecting a basic wage being the main instrument intended for this purpose. The following pages describe this problem of low wages and the action taken by the Government, which sought the backing of employers' and workers' organisations in a joint effort to better the conditions of the worst-off workers.

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<sup>1</sup> See also René Roux: "An Approach to Minimum Wage Fixing in Guatemala", in *International Labour Review*, Vol. LXXI, No. 1, Jan. 1955. This article concerned the work of a technical assistance mission sent to Guatemala by the I.L.O. from October 1951 to October 1952 in order to work out the operation of the minimum wage prescribed in the Labour Code of 1947. The present article, which deals with subsequent developments, may therefore be regarded as a sequel to the 1955 article.

## SURVEY OF THE NATIONAL ECONOMY

There are two points to be made about the Guatemalan economy of today: it is underdeveloped and it is expanding fast.

*Underdevelopment*

This economy has all the characteristic features of underdevelopment: poverty, dependence on primary products and a dual structure.

Its poverty can be gauged from the fact that the national income per head is less than 200 quetzals a year<sup>1</sup>, while the annual average cash earnings of very many workers only equal a fraction of the "subsistence budget" for an average family.<sup>2</sup>

Its dependence on primary products is apparent from the fact that three-quarters of the population live in the countryside, where underemployment is chronic and serious<sup>3</sup>, while agriculture itself accounts for nearly half the national product and the three main crops—coffee, bananas and cotton—represent some 90 per cent. of the total value of exports.<sup>4</sup>

Lastly, it is a dual economy<sup>5</sup> in which a great deal of subsistence production on family holdings or in traditional handicrafts exists side by side with an industrial sector made up of small-scale manufacturing concerns (only 1,072 with a total labour force of 20,567 have more than three workers), with the noteworthy exception of the United Fruit Company, a big foreign exporting concern which farms nearly 18,000 hectares and employs 8,500 workers.<sup>6</sup>

<sup>1</sup> At the official exchange rate 1 quetzal=U.S.\$1.

<sup>2</sup> In 1953 it was officially estimated that annual average earnings were 701.49 quetzals in commerce, 338.56 quetzals in industry and 107.24 quetzals in agriculture. After the 1952 I.L.O. technical assistance mission the subsistence needs of an average family were estimated as follows: 686 quetzals in the capital, 646 quetzals in the provinces (towns) and 562 quetzals in the provinces (countryside). There is no family allowance scheme.

<sup>3</sup> See the figures for the number of days worked in agriculture in 1955 (table IX below) and in industry and commerce (table VII below).

<sup>4</sup> See República de Guatemala, Dirección General de Estadística: *Guatemala en Cifras*, 1956 (Guatemala City, 1956).

<sup>5</sup> On the "dualism" of underdeveloped economies such as Guatemala see R. BARRE: "Le développement économique, analyse et politique", in *Cahiers de l'Institut de science économique appliquée* (Paris), Vol. 66, Apr. 1958; C. P. KINDLEBERGER: *Economic Development* (New York, McGraw-Hill, 1958); *Desarrollo Económico de Guatemala, Plan 1955-60* (Guatemala City, 1957), pp. 50 and 51. The economic development of Guatemala means that large numbers of workers must shift from the subsistence to the exchange economy.

<sup>6</sup> *Guatemala en Cifras*, op. cit., and United Fruit Co.: *Datos 1956* (Guatemala City, 1956). Figures taken from the last industrial census (1953).

*Economic Development*

While this is still largely true of the Guatemalan economy, it is only one side of the picture. The economy went through a sharp slump between 1952 and 1954, the end of which coincided with the assumption of power by the new Government. Since then, however, the economy has steadily expanded as development plans have borne fruit.

*Growth of the National Economy.*

Table I, shows that real national income expanded by more than 34 per cent. between 1952 and 1956—in so far as such estimates are reliable or the wholesale price index can be accepted as a device for converting an estimate in current monetary units into real terms. However this may be, there has unquestionably been a steep rise in income over the last two years.

TABLE I. ESTIMATES OF NATIONAL INCOME, 1952 TO 1956 <sup>1</sup>

Year	National income (current prices)		Wholesale price index	Index of national income adjusted to wholesale price index
	In millions of quetzals	Index (1952=100)		
1952 . . . . .	445.3	100.0	100	100.0
1953 . . . . .	462.9	104.2	100	104.2
1954 . . . . .	476.0	107.1	105	102.0
1955 . . . . .	528.2	129.8	101	128.5
1956 . . . . .	603.9	135.9	101	134.6

Sources: For national income, *Yearbook of National Accounts Statistics* (United Nations, 1957), and for wholesale price indices, *Monthly Bulletin of Statistics* (United Nations), Jan. 1958, table 46, p. 128.

<sup>1</sup> It will be noted that the above figures for national income are appreciably lower than those for gross national product (table III, reproduced from an official source). Gross national product, of course, is made up of the net national product or national income plus provision for the consumption of fixed capital and any surplus of indirect taxation over subsidies. In addition, in order to facilitate comparisons, all these series have been recalculated where necessary, taking 1952 as the base year.

The growth of the population (more than 12 per cent. over the same period), although substantial, has not therefore absorbed this growth in over-all income. Real income per head increased by 20 per cent. between 1952 and 1956, as is shown by table II.

This expansion is apparent in many other ways—in the Government's budget, which has risen to the record level of 122 million quetzals <sup>1</sup>, and in the rise in note circulation, the volume and value of external trade, industrial employment (despite under-

<sup>1</sup> For the year ending 30 June 1957. See *El Imparcial* (Guatemala City), 27 Aug. 1957.

TABLE II. VARIATIONS IN POPULATION AND REAL INCOME  
PER HEAD, 1952 TO 1956

Year	Population		Index of real income per head (1952=100) <sup>1</sup>
	Thousands	Index (1952=100)	
1952 . . . . .	2,981	100.0	100.0
1953 . . . . .	3,058	102.4	101.8
1954 . . . . .	3,159	105.8	96.4
1955 . . . . .	3,258	109.1	117.8
1956 . . . . .	3,349	112.2	120.0

Source : *Monthly Bulletin of Statistics*, op. cit., Jan. 1958, table 1, p. 3. Estimates based on last census in 1950.

<sup>1</sup> Index of national income adjusted to the wholesale price index divided by the population index for the same year.

employment in the countryside), industrial and agricultural output and transport business.<sup>1</sup>

In short, to quote a sound observer, "[in the past few years] there has been a quickening in the tempo of development in every industry and the national economy has finally reached the take-off point".<sup>2</sup>

### *The Five-Year Plan.*

While these results partly reflect the natural growth of the economy, they were not due to spontaneous factors only but were also the product of conscious and concerted efforts.

The existing economic development plans in Guatemala date back to the Britnell mission which was sent to the country by the International Bank for Reconstruction and Development in 1950 with the Government's approval.<sup>3</sup> On the basis of the mission's report the new Government, as soon as it achieved power, set up a National Planning Council (*Consejo nacional de planificación económica*) in November 1954.<sup>4</sup> This body worked out a five-year development plan, 1955-60, which aimed at raising the total national income to 696.9 million quetzals through cumulative

<sup>1</sup> *Guatemala en Cifras*, op. cit.

<sup>2</sup> Report on the national economy submitted by the Klein and Sacs mission to the Guatemalan Government, in *Ministerio de Economía: Política Económica del Gobierno de Liberación* (Guatemala City, July 1957), p. 25.

<sup>3</sup> *The Economic Development of Guatemala. Report of a Mission Sponsored by the International Bank for Reconstruction and Development, in Collaboration with the Government of Guatemala* (Washington, 1951).

<sup>4</sup> Decrees of 1 and 26 November and 11 December 1954 (*El Guatemalteco*, 3 Nov., 28 Nov. and 11 Dec. 1954, Vol. CXLIII).

annual increases of around 5 per cent., with a corresponding increase in national income per head (table III).<sup>1</sup>

TABLE III. GROSS NATIONAL PRODUCT AND INVESTMENTS, 1950-60  
(At constant 1953 prices)

Year	Gross national product				Investments (millions of quetzals)	
	Total (millions of quetzals)		Per head (quetzals)		Actual	Planned
	Actual	Planned	Actual	Planned		
1950 . . .	480	—	172	—	36	—
1951 . . .	480	—	166	—	48	—
1952 . . .	525	—	175	—	37	—
1953 . . .	524	—	170	—	64	—
1954 . . .	520	520	163	163	65	65
1955 . . .	584	546	179	165	100	80
1956 . . .	650	573.3	195	172	149	108
1957 . . .	(710)	602	(212)	177	—	100
1958 . . .	—	632.1	—	181	—	98
1959 . . .	—	663.7	—	186	—	98
1960 . . .	—	696.9	—	201	—	—

Source: *Plan de Desarrollo Económico*, op. cit., pp. 37-38. The figures for gross national product are taken from the latest estimates of the Central Bank, the charts published in the above booklet and the *Política Económica del Gobierno de Liberación*, op. cit., pp. 36-38 (projections for 1957). It will be noted that according to these figures the actual rate of growth exceeded the forecasts.

There is much that is remarkable in this great scheme, particularly its social emphasis, which the Guatemalan Government took over from the Britnell report, pointing out the importance attached in the report to higher productivity and impartial administration of the Labour Code in the interests of both workers and employers.<sup>2</sup> This concern with the social aspect was constantly reaffirmed by the late President Castillo Armas, the founder of the new régime, in all his speeches. His first message to the constituent General Assembly announced the Government's intention of combating stagnation and poverty by means of an economic development programme and "laws to protect the workers and peasants".<sup>3</sup>

### WAGES

Basing ourselves on the minimum subsistence budget and the rise in the cost-of-living index, it is possible to assess the position

<sup>1</sup> For full details see *Desarrollo Económico de Guatemala*, op. cit., summarised with corrected figures in *Plan de Desarrollo Económico, 1955-60* (Guatemala City, 1957).

<sup>2</sup> *Desarrollo Económico de Guatemala*, op. cit., p. 16.

<sup>3</sup> *Primer Mensaje del Presidente a la Asamblea Nacional Constituyente* (Guatemala City, 1955).

in the recent past and to trace the trend of wages over the preceding years in the capital and the provinces, and in the towns and the countryside. The available statistics are not always comprehensive or comparable but they do nevertheless include a number of series from which certain trends emerge quite clearly.

### *The Level of Wages*

#### *The Capital.*

In 1952 an I.L.O. technical assistance mission calculated that the minimum wage required to cover the needs of a worker with a family to support (as defined in section 103 of the Labour Code) was 1.83 quetzals a day.<sup>1</sup> By 1956 the cost of living had increased by more than 9 per cent., as is shown by table IV. It could therefore be estimated that the minimum subsistence budget at that date was 2 quetzals a day or 14 quetzals a week.

TABLE IV. COST OF LIVING AND MINIMUM SUBSISTENCE BUDGET IN THE CAPITAL, 1952 TO 1956

Year	Over-all cost-of-living index (1952=100)	Minimum subsistence budget (quetzals)			
		Daily	Weekly	Monthly (30 ½ days)	Annual
1952	100	1.83	12.8	55.8	672
1953	103	1.88	13.2	57.4	686
1954	106.1	1.94	13.6	59.2	708
1955	108.2	1.98	13.9	60.4	723
1956	109.2	2.00	14.0	60.9	729

Source: For the cost-of-living index, I.L.O.: *Year Book of Labour Statistics 1957* (Geneva, 1957), table 23, p. 368. This index has been recalculated on the basis 1952=100 and applied to the minimum subsistence budget established in 1952 in order to obtain the figures for the following years.

Table V, which gives the average weekly earnings in manufacturing industry in the capital in 1956, clearly shows that while, taken as a whole, earnings were virtually equal to the minimum subsistence budget, they fell below it in half the occupations in question. As these were averages, it follows that many wages in other occupations were also below the minimum subsistence level, e.g. in the case of skilled workers in textiles, clothing and woodworking and the majority of unskilled workers.

Other statistics in table VI, which gives the monthly earnings of 30,221 workers in industrial, commercial and service under-

<sup>1</sup> See "An Approach to Minimum Wage Fixing in Guatemala", op. cit., pp. 21-22.

TABLE V. AVERAGE HOURLY AND WEEKLY EARNINGS IN MANUFACTURING INDUSTRY IN THE CAPITAL, 1956

Industry	Hours of work per week	Skilled and unskilled workers together		Skilled workers		Unskilled workers	
		Average hourly earnings (centavos)	Average weekly earnings (quetzals)	Hourly earnings (centavos)	Weekly earnings (quetzals)	Hourly earnings (centavos)	Weekly earnings (quetzals)
Food . . . . .	42.8	23.4	10.01	39.1	<i>16.73</i>	19.0	8.13
Beverages . . . .	47.6	35.8	<i>17.04</i>	42.6	<i>20.27</i>	35.5	<i>16.89</i>
Tobacco . . . . .	45.2	34.3	<i>15.50</i>	58.5	<i>26.44</i>	32.0	<i>14.46</i>
Textiles . . . . .	45.9	27.2	12.48	28.4	13.03	24.9	11.42
Clothing . . . . .	43.9	25.2	11.06	28.1	12.33	22.5	9.87
Wood . . . . .	46.5	20.5	9.53	28.1	13.06	18.9	8.78
Furniture . . . . .	44.3	28.2	12.49	34.9	<i>15.46</i>	19.1	8.46
Printing, publishing . . . . .	48.7	40.6	<i>19.77</i>	60.2	<i>29.31</i>	24.5	11.93
Leather, leather products . . . . .	44.0	21.3	9.37	—	—	21.3	9.37
Rubber products, chemicals . . . . .	45.1	28.2	12.71	41.1	<i>18.53</i>	24.7	11.13
Non-metallic mineral products . . . . .	50.1	35.6	<i>17.83</i>	44.0	<i>22.04</i>	32.7	<i>16.38</i>
Basic metal industries . . . . .	44.9	23.9	10.73	35.8	<i>16.07</i>	18.8	8.44
Electrical machinery . . . . .	44.9	31.5	<i>14.14</i>	53.2	<i>23.88</i>	25.2	11.31
Transport equipment . . . . .	45.5	31.1	<i>14.15</i>	38.0	<i>17.29</i>	33.1	<i>15.06</i>
Electric power . . . . .	43.8	75.4	<i>33.02</i>	75.6	<i>33.11</i>	66.4	<i>29.08</i>
Over-all figure	45.5	30.8	<i>14.01</i>	41.6	<i>18.92</i>	26.6	12.10

Source : Economic Statistics Section, General Directorate of Statistics.

Note : The figures in italics represent wages above the minimum subsistence level.

takings in the capital affiliated to the Guatemalan Social Security Institute, show that during October 1955 over half of them earned less than 60 quetzals.

Thus in 1955 and 1956 the wages of more than half the workers in the capital were not sufficient to cover the needs of the average family.

Let us now turn to the position in the provinces.

### *The Provinces.*

Whereas figures are available for the wages paid by some firms in provincial towns—though even these figures are sometimes very narrowly based—there seems to be no way of making a reliable comparison between the cost of living there and in the capital. It is a fact, however, that the geographical retail price index for ten foodstuffs (rice, sugar, coffee beans, pork meat and fat, black beans, maize, potatoes, bananas and salt) was higher

TABLE VI. MONTHLY EARNINGS OF 30,221 WORKERS AFFILIATED TO THE GUATEMALAN SOCIAL SECURITY INSTITUTE <sup>1</sup> EMPLOYED IN 1,267 INDUSTRIAL, COMMERCIAL, TRANSPORT, ELECTRIC POWER, WATER OR SERVICE UNDERTAKINGS IN THE CAPITAL, OCTOBER 1955

Monthly earnings <sup>1</sup> (quetzals)	Number of workers		Cumulative total	
	Actual	Percentage	Number	Percentage
<i>Total</i> . . .	30,221	100.0		
0- 4.99 . . .	190	0.6	190	0.6
5- 9.99 . . .	415	1.4	605	2.0
10- 14.99 . . .	790	2.6	1,395	4.6
15- 19.99 . . .	1,323	4.4	2,718	9.0
20- 29.99 . . .	3,041	10.1	5,759	19.1
30- 39.99 . . .	4,270	14.1	10,029	33.2
40- 49.99 . . .	3,382	11.2	13,411	44.4
50- 59.99 . . .	2,855	9.4	16,266	53.8
60- 69.99 . . .	2,314	7.6	18,580	61.4
70- 79.99 . . .	1,801	6.0	20,381	67.4
80- 89.99 . . .	1,294	4.3	21,675	71.7
90- 99.99 . . .	1,096	3.6	22,771	75.3
100-119.99 . . .	1,971	6.5	24,742	81.8
120-139.99 . . .	1,346	4.4	26,088	86.2
140-159.99 . . .	926	3.1	27,014	89.3
160-179.99 . . .	629	2.1	27,643	91.4
180-199.99 . . .	354	1.2	27,997	92.6
200-249.99 . . .	786	2.6	28,783	95.2
250-299.99 . . .	434	1.4	29,217	96.6
300-349.99 . . .	439	1.5	29,656	98.1
350-399.99 . . .	158	0.5	29,814	98.6
400-499.99 . . .	172	0.6	29,986	99.2
500-599.99 . . .	108	0.4	30,094	99.6
600-699.99 . . .	37	0.1	30,131	99.7
700-799.99 . . .	35	0.1	30,166	99.8
800-899.99 . . .	21	0.1	30,187	99.9
900-999.99 . . .	9	0.0	30,196	99.9
1,000 and over . .	25	0.1	30,221	100.0

Average earnings=83.28 quetzals.

Median earnings=55.92 quetzals.

Source: Instituto Guatemalteco de Seguridad Social: *Ingresos de trabajadores afiliados al Instituto que laboran con patronos particulares* (Guatemala City, Sep. 1956).

<sup>1</sup> The Guatemalan Social Security Institute, which covers ten departments, comprises 3,000 non-agricultural undertakings employing over 90,000 workers. \* Cash earnings only. The line separates earnings below the minimum subsistence budget from those above it.

in five departments in 1956 than it was in the capital and lower in 16 others (between 95 and 99 per cent.).<sup>1</sup>

<sup>1</sup> Out of 22 departments. The index was between 90 and 95 per cent. in the department of Quiché. See Dirección General de Estadística: *Boletín Mensual*, No. 2, Feb. 1957, p. 66.



TABLE VII. WAGES IN INDUSTRY AND COMMERCE, 1955

Departments	Number of undertakings	Number of workers	Number of man-days	Total wages paid (quetzals)	Number of workers per undertaking	Number of days per worker	Earnings per day worked (centavos)	Annual earnings per worker (quetzals)
<i>Whole country</i> . . . . .	1,556	51,241	8,803,405	32,761,743	32	171.8	372.1	639.4
Centre :								
Guatemala . . . . .	1,207	37,490	7,090,420	28,890,408	31	189.1	407.5	770.6
Sacatepequez . . . . .	40	698	143,159	241,989	17	205.1	169.0	346.7
Chimaltenango . . . . .	19	1,001	158,822	224,136	52	158.7	141.1	223.9
El Progreso . . . . .	1	154	8,956	12,321	154	58.2	137.6	80.0
South :								
Escuintla . . . . .	42	2,767	326,098	1,185,358	65	117.9	363.5	428.4
West :								
Quezaltenango . . . . .	79	2,256	379,913	779,378	28	168.4	205.0	345.5
Suchitepequez . . . . .	20	558	72,878	170,496	27	130.6	233.9	305.5
Retalhuleu . . . . .	26	1,573	93,114	161,009	60	59.2	172.9	102.3
Huehuetenango . . . . .	8	1,072	80,278	160,103	134	74.9	199.4	149.3
Totonicapan . . . . .	3	159	28,429	46,033	53	178.8	161.9	289.5
North :								
Quiché . . . . .	17	162	34,374	37,189	9	212.2	108.2	229.6
Baja Verapaz . . . . .	7	169	23,885	25,566	24	141.3	107.0	151.3
Alta Verapaz . . . . .	18	1,805	189,536	472,141	100	105.0	249.1	261.6
Izabal . . . . .	14	616	66,741	159,296	44	108.3	238.7	258.6
East :								
Zacapa . . . . .	33	362	54,435	117,304	11	150.4	215.5	324.0
Jutiapa . . . . .	10	152	15,714	22,949	15	103.4	146.0	151.0

Source : Statistical Records Section, Labour Administrative Department, Ministry of Labour and Social Welfare.

Note : Departmental figures relating to fewer than 100 workers have been omitted.

This, however, is only one of the items in a working-class budget, while the others are unknown.

In the absence of any more accurate yardstick in the shape of a subsistence budget for a working-class family in the provinces, it is fairly obvious from table VII that, even allowing for possible

TABLE VIII. MONTHLY EARNINGS OF 15,342 WORKERS AFFILIATED TO THE GUATEMALAN SOCIAL SECURITY INSTITUTE AND EMPLOYED IN 484 INDUSTRIAL, COMMERCIAL, TRANSPORT, ELECTRIC POWER, WATER AND SERVICE UNDERTAKINGS IN TEN DEPARTMENTS, OCTOBER 1955 <sup>1</sup>

Monthly earnings (quetzals)	Number of workers		Cumulative total	
	Actual	Percentage	Number	Percentage
<i>Total . . . .</i>	<i>15,342</i>	<i>100.0</i>		
0- 4.99 . . . .	760	5.0	760	5.0
5- 9.99 . . . .	814	5.3	1,574	10.3
10- 14.99 . . . .	973	6.3	2,547	16.6
15- 19.99 . . . .	1,067	7.0	3,614	23.6
20- 29.99 . . . .	2,217	14.4	5,831	38.0
30- 39.99 . . . .	2,697	17.6	8,528	55.6
40- 49.99 . . . .	1,555	10.1	10,083	65.7
50- 59.99 . . . .	1,013	6.6	11,096	72.3
60- 69.99 . . . .	871	5.7	11,967	78.0
70- 79.99 . . . .	625	4.1	12,592	82.1
80- 89.99 . . . .	487	3.2	13,079	85.3
90- 99.99 . . . .	390	2.5	13,469	87.8
100-119.99 . . . .	554	3.6	14,023	91.4
120-139.99 . . . .	411	2.7	14,434	94.1
140-159.99 . . . .	249	1.6	14,683	95.7
160-179.99 . . . .	150	1.0	14,833	96.7
180-199.99 . . . .	111	0.7	14,944	97.4
200-249.99 . . . .	168	1.1	15,112	98.5
250-299.99 . . . .	100	0.7	15,212	99.2
300-349.99 . . . .	65	0.4	15,277	99.6
350-399.99 . . . .	21	0.1	15,298	99.7
400-499.99 . . . .	19	0.1	15,317	99.8
500-599.99 . . . .	16	0.1	15,333	99.9
600-699.99 . . . .	2	0.0	15,335	99.9
700-799.99 . . . .	3	0.0	15,338	99.9
800-899.99 . . . .	1	0.0	15,339	99.9
900-999.99 . . . .	—	—	15,339	99.9
1,000 and over . . .	3	0.0	15,342	100.0

Average earnings=53.05 quetzals.

Median earnings=36.81 quetzals.

Source: *Ingresos de trabajadores afiliados al Instituto que laboran con patronos particulares*, op. cit.

<sup>1</sup> See notes 1 and 2, table VI. Departments: Guatemala, Sacatepequez, Chimaltenango, Escuintla, Quezaltenango, Santa Rosa, Suchitepequez, Retalhuleu, San Marcos, Izabal. Averages increased slightly by the inclusion of concerns, such as the electric power company, with their head office in the capital.

differences in the cost of living, the wages paid in other towns are even less adequate than in the capital. Hours of work are also less, as is shown by the relevant figures, and this widens still further the gap between annual earnings of industrial and commercial workers in the capital and in the provinces.

Table VIII, covering 15,342 workers in 484 industrial undertakings in ten departments, shows that, in October 1955, 72 per cent. of them earned less than 60 quetzals.

### *The Countryside.*

Just as in the case of the towns, it is impossible to compare the cost of living in the countryside with that of the capital. Nevertheless the available wage statistics, despite a somewhat narrow basis (table IX), clearly show that after allowing for differences in living costs the ratio of workers' average cash earnings to their needs in agriculture was lower in 1955 than the corresponding ratio in the capital. In fact this ratio usually appears to be only a fraction of their needs and a small fraction at that. As periods of employment vary from one-ninth to three-quarters of the calendar year, the ratio of workers' annual cash earnings (the daily rate in the department of Santa Rosa is only 9 centavos a day) to their needs is even lower.

Out of 42,562 agricultural workers affiliated to the Guatemalan Social Security Institute in October 1955, 3 per cent. would, if they had worked all that month, have received cash wages exceeding 50 quetzals (table X).

Fortunately, the average rural worker is better off than this in practice because of the payments in kind which are quite common in the countryside. They are also met with in the towns, but to what extent is unknown, although in all likelihood it is a good deal smaller. Article 116 of the 1956 Constitution, while compelling all employers to pay their workers in legal tender, allows rural employers to pay up to 30 per cent. of wages in the form of food, provided the latter's value is reckoned at cost or less. In the absence of any over-all figures for payments of this kind, it may be worth taking a look at the total remuneration of agricultural workers in a few particular instances.

For the National Farms there are no general wage statistics showing the average for the whole country or for particular districts. The wage rates in force vary substantially according to the class of work and the area. In a fertile district such as the Santa Rosa department, the average or at least the most usual cash wage appears to be 0.80 quetzal a day, with higher rates for skilled workers and those in posts of responsibility. On the other

TABLE IX. WAGES IN AGRICULTURE IN 1955

Department	Number of undertakings	Number of workers	Number of man-days	Total wages paid (quetzals)	Number of workers per undertaking	Number of days per worker	Earnings per day worked (centavos)	Annual earnings per worker (quetzals)
<i>Whole country</i> . . . .	1,079	197,848	18,242,667	20,430,152	183.4	92.2	112.0	103.3
Centre								
Guatemala . . . . .	83	5,008	723,650	542,071	60.3	144.5	74.9	108.2
Sacatepequez . . . .	43	4,772	386,698	295,014	111.0	81.0	76.3	61.8
Chimaltenango . . . .	60	6,504	767,739	663,742	108.4	118.0	86.5	102.1
El Progreso . . . . .	—	—	—	—	—	—	—	—
South:								
Santa Rosa . . . . .	55	16,138	659,289	529,375	293.4	40.9	80.3	32.8
Escuintla . . . . .	127	47,794	4,163,121	7,058,369	376.3	87.1	169.5	147.7
including Cia Agri- cola de Guatemala (Tiquisate) . . . . .	1	5,668	1,469,890	3,884,662	5,668	259.0	264.2	685.3
West:								
Sololá . . . . .	18	1,965	241,535	171,309	109.1	122.9	70.9	87.2
Quezaltenango . . . .	146	15,691	3,175,387	1,932,931	107.5	202.4	60.9	123.2
Suchitepequez . . . .	196	24,867	2,378,933	2,167,770	126.9	95.7	91.1	87.2
Retalhuleu . . . . .	84	10,194	992,453	1,091,975	121.4	97.4	110.0	107.1
San Marcos . . . . .	151	29,041	2,393,197	1,936,277	192.3	82.4	80.9	66.7
Huehuetenango . . . .	3	364	16,442	15,862	121.3	45.2	95.4	43.1
Totonicapan . . . . .	—	—	—	—	—	—	—	—
North:								
Quiché . . . . .	11	1,354	134,568	96,816	123.1	99.4	71.9	71.5
Baja Verapaz . . . . .	14	1,051	158,610	81,519	75.1	150.9	51.4	77.6
Alta Verapaz . . . . .	81	12,607	1,128,730	527,318	155.6	89.5	46.7	41.8
Izabal . . . . .	3	4,997	869,307	3,283,075	1,665.7	174.0	377.7	657.0
including United Fruit (Bananera) . .	1	4,843	856,078	3,263,934	4,843	176.7	381.2	672.9
East:								
Zacapa . . . . .	1	418	38,757	24,726	418	92.7	63.8	59.2

Source : Statistical Records Section, Labour Administrative Department, Ministry of Labour and Social Welfare.

Note : Departmental figures relating to fewer than 100 workers have been omitted.

TABLE X. MONTHLY EARNINGS OF 42,562 WORKERS EMPLOYED IN 726 AGRICULTURAL UNDERTAKINGS<sup>1</sup> IN THE DEPARTMENTS OF GUATEMALA, CHIMALTENANGO, ESCUINTLA, QUEZALTENANGO AND SACATEPEQUEZ, AND AFFILIATED TO THE GUATEMALAN SOCIAL SECURITY INSTITUTE<sup>2</sup>, OCTOBER 1955

Monthly earnings <sup>a</sup> (quetzals)	Number of workers		Cumulative total	
	Number	Percentage	Number	Percentage
<i>Total . . .</i>	<i>45,562</i>	<i>100.0</i>		
0- 4.99 . .	6,692	15.7	6,692	15.7
5- 9.99 . .	8,377	19.7	15,069	35.4
10- 14.99 . .	8,552	20.1	23,621	55.5
15- 19.99 . .	8,104	19.0	31,725	74.5
20- 29.99 . .	6,771	15.9	38,496	90.4
30- 39.99 . .	2,102	4.9	40,598	95.3
40- 49.99 . .	732	1.7	41,330	97.0
50- 59.99 . .	332	0.8	41,662	97.8
60- 69.99 . .	236	0.5	41,898	98.3
70- 79.99 . .	175	0.4	42,073	98.7
80- 89.99 . .	102	0.2	42,175	98.9
90- 99.99 . .	71	0.2	42,246	99.1
100-119.99 . .	100	0.2	42,346	99.3
120-139.99 . .	45	0.1	42,391	99.4
140-159.99 . .	41	0.1	42,432	99.5
160-179.99 . .	28	0.1	42,460	99.6
180-199.99 . .	10	0.0	42,470	99.6
200-249.99 . .	28	0.1	42,498	99.7
250-299.99 . .	21	0.1	42,519	99.8
300-349.99 . .	5	0.0	42,524	99.9
350-399.99 . .	9	0.0	42,533	99.9
400-499.99 . .	4	0.0	42,537	99.9
500-599.99 . .	7	0.0	42,544	99.9
600-699.99 . .	—	—	42,544	99.9
700-799.99 . .	4	0.0	42,548	99.9
800-899.99 . .	5	0.0	42,553	99.9
900-999.99 . .	—	—	42,553	99.9
1,000 and over .	9	0.0	42,562	100.0

Average earnings=17.42 quetzals.

Median earnings=13.62 quetzals.

Source: *Ingresos de trabajadores afiliados al Instituto que laboran con patronos particulares*, op. cit.

<sup>1</sup> Not including workers employed by the Compañía Agrícola and the National Farms. <sup>2</sup> The Guatemalan Social Security Institute covers some 2,000 agricultural undertakings employing over 110,000 workers.

<sup>a</sup> These are not the earnings actually received, but those that the worker would have received if he had worked full time, i.e. they are obtained by multiplying the average earnings per day worked by the number of working days in the month. Table IX shows that the number of days actually worked is always smaller and often very much smaller than the number of working days in the month.

hand in Alta Verapaz, where most of the workers are labourers, the most usual wage rate appears to be 0.25 quetzal a day.<sup>1</sup>

<sup>1</sup> For example, according to information obtained from the National Farms Department of the General Directorate of Agricultural Affairs the daily cash wages in the Carcha National Farm in August 1957 were

Housing is free for all employees. In addition, monthly paid salaried employees are issued with the following foodstuffs, which the permanent or seasonal wage earners can buy at cost : managers, two 100-lb bags of maize and 15 lb of coffee ; chief clerks, field superintendents, storekeepers, stewards, mechanics and book-keepers, one bag of maize and 8 lb of coffee ; and other clerical workers, machinery superintendents, nurses, drivers and bee-keepers, half a bag of maize and 6 lb of coffee. The issue may also include milk.<sup>1</sup>

In the United Fruit Company and the Compañía Agrícola de Guatemala respectively the average daily remuneration of agricultural workers in 1956 was 2.08 and 2.42 quetzals plus payment in kind of 0.49 and 0.55 quetzal, giving a total of 2.57 and 2.97 quetzals. For the two companies together the average daily cash earnings of all categories of workers were 3.23 quetzals. Average annual earnings in the same year were 1,029 quetzals for Guatemalans and 3,853 for foreigners in the Compañía Agrícola and 1,256 and 3,980 quetzals for the same categories in the United Fruit Company.<sup>2</sup>

Perquisites, in addition to housing, include the right to buy foodstuffs in company stores at cost price or below.<sup>3</sup>

These benefits are not, however, for rural workers alone. In Puerto Barrios the United Fruit Company sells certain quantities of foodstuffs at cost price to its railway and dockworkers.<sup>4</sup>

0.75 quetzal for overseers and 0.25 for weeders and nurserymen in coffee plantations ; they were also 0.25 quetzal for workers on general duties (land clearers, stablemen, messengers and servants) and on maintenance.

<sup>1</sup> Circular dated 8 June 1955 of the National Farms Department, General Directorate of Agricultural Affairs.

<sup>2</sup> United Fruit Company : *1956 Data* (mimeographed document) ; and *Datos 1956*, op. cit.

<sup>3</sup> In 1956 the following foodstuffs were sold in United Fruit Company stores in Bananera at prices (per pound) considerably lower than the current retail price : rice, 4 centavos instead of 10 ; sugar, 5.5 instead of 10 ; ground coffee, 12 instead of 60 ; beef, 15 instead of 30 ; beans, 4 instead of 10 ; maize, 2 instead of 5 (minimum) ; bacon, 24 instead of 35 ; and milk (per litre), 18 instead of 20.

<sup>4</sup> Under a collective agreement signed on 13 November 1956 between the United Fruit Company and the Unión Sindical de Trabajadores de Puerto Barrios the following quantities (in pounds) of foodstuffs were sold at cost in Puerto Barrios in 1956 :

Foodstuff	Per month (single men)	Per week (married men)	
		3 children or under	More than 3 children
Maize . . . . .	50	20	25
Rice . . . . .	10	4	6
Black beans . . . . .	10	4	6
Sugar . . . . .	10	4	6
Ground coffee . . . . .	4	2	3
Fats . . . . .	4	2	3

The small estates also issue food and other commodities to supplement their workers' cash wages. On the El Zapote farm in the fertile Escuintla district under a collective agreement signed on 12 January 1952 the daily ration comprises 2 lb of maize, 1 lb of beans, 1 lb of coffee,  $\frac{1}{2}$  lb of salt and  $\frac{1}{2}$  lb of lime.

As long as they are fairly shared out, these payments in kind are a useful way of cushioning workers against rises in the cost of living and the resulting falls in real wages. They are still not very widespread and are less common in the towns than in the countryside; nevertheless their value, particularly for the worst-off workers, is apparent from the interest being taken in them and the demands for their introduction or extension. Among the 6,000 employees of the Central American Railway Company, many are entitled (as is quite common in their occupation) to free housing, water, light and travel for themselves and their families.

Payment in kind, whatever form it may take, is a help and often a very great one to the workers, but it is not known how many of them benefit by it. It is estimated to be worth 50 centavos a day on the average in the United Fruit Company. If it were equally high everywhere else, it would still not be adequate in most cases to bring earnings up to the minimum subsistence level for a working-class family.

Thus in Guatemala, as in many other underdeveloped countries, it is obvious that the majority of workers' families must have more than one pay packet coming in if they are to meet their minimum needs. It is usual for the women and children to help out with their own earnings, either from a job or some other gainful activity. The breadwinner himself, particularly in the country districts, usually ekes out his wage by, for example, part-time farming or family handicrafts. These may bring in more money than his actual job, but no figures are available on this subject and in any case the question is outside the scope of this article.<sup>1</sup>

In many instances wages are clearly inadequate and this fact lies behind the action of the Government and the efforts of certain employers and trade unions. Before describing these steps, a look should be taken at the available figures in order to decide whether, over the past few years, there has been a rise or a fall in real wages.

### *Wage Trends*

In manufacturing industry in the capital average weekly earnings in 1956 had a purchasing power equal to or higher than

<sup>1</sup> For the different forms of land tenure and payment in kind see Richard N. ADAMS: *Cultural Surveys of Panama, Nicaragua, Guatemala, San Salvador, Honduras* (Washington, D.C., Pan-American Sanitary Bureau, 1957), pp. 299 ff.

TABLE XI. AVERAGE HOURLY AND WEEKLY EARNINGS IN MANUFACTURING INDUSTRY  
IN THE CAPITAL, 1952 TO 1957  
(All workers)

Industry	1952			1953			1954			1955			1956			1957		
	Hours of work	Hourly earnings (centavos)	Weekly earnings (quetzals)	Hours of work	Hourly earnings (centavos)	Weekly earnings (quetzals)	Hours of work	Hourly earnings (centavos)	Weekly earnings (quetzals)	Hours of work	Hourly earnings (centavos)	Weekly earnings (quetzals)	Hours of work	Hourly earnings (centavos)	Weekly earnings (quetzals)	Hours of work	Hourly earnings	Weekly earnings
Food . . . . .	45.8	19.9	9.11	46.7	21.3	9.94	45.4	24.3	11.03	121	23.8	10.66	42.8	23.4	10.01	109.8	23.4	10.67
Beverages . . . . .	47.0	32.7	15.36	50.1	28.9	14.47	48.2	33.1	15.95	103	34.3	15.84	47.6	35.8	17.04	110	37.7	18.55
Tobacco . . . . .	45.0	28.6	12.87	44.9	28.0	12.57	44.4	29.5	13.09	101	32.0	14.24	45.2	34.3	15.50	120	35.4	15.47
Textiles . . . . .	46.1	21.4	9.86	46.4	23.0	10.67	45.9	25.4	11.65	118	26.3	11.91	45.9	27.2	12.48	145	26.5	11.82
Clothing . . . . .	42.7	21.6	9.22	44.4	22.7	10.07	43.8	24.8	10.86	117	24.3	10.47	43.9	25.2	11.06	119	26.1	11.56
Wood . . . . .	45.0	20.1	9.04	44.4	20.6	9.14	43.9	22.6	9.92	109	21.5	9.71	46.5	20.5	9.53	105	19.7	9.42
Furniture . . . . .	44.5	25.7	11.43	44.3	24.5	10.85	44.1	24.7	10.89	95	27.2	11.61	44.3	28.2	12.49	109.2	28.3	12.57
Printing, publishing . . . . .	41.3	46.0	18.99	47.2	41.4	19.54	47.9	41.7	19.97	105	40.7	19.86	48.7	40.6	19.77	104	39.5	19.20
Leather, leather goods . . . . .	44.7	19.3	8.62	45.3	20.2	9.15	44.5	20.6	9.16	106	19.9	8.91	44.0	21.3	9.37	108	21.3	9.56
Rubber products, chemicals . . . . .	45.0	24.5	11.02	44.1	24.9	10.98	43.1	27.2	11.72	106	27.9	12.44	45.1	28.2	12.71	115	28.5	12.74
Non-metallic mineral products . . . . .	51.3	27.9	14.31	49.8	27.2	13.54	49.0	33.1	16.21	113	37.3	18.46	50.1	35.6	17.83	124	36.3	18.08
Basic metal industries . . . . .	44.5	20.8	9.25	43.2	25.3	10.92	43.7	25.4	11.09	119	25.4	11.69	44.9	23.9	10.73	116	25.5	11.60
Electrical machinery . . . . .	45.2	28.1	12.70	45.5	29.7	13.51	43.7	29.4	12.84	101	31.0	13.36	44.9	31.5	14.14	111	33.8	15.01
Transport equipment . . . . .	44.1	30.9	13.62	45.3	32.8	14.85	44.1	35.2	15.52	113	36.0	15.73	45.5	31.1	14.15	103	32.7	14.71
Over-all average . . . . .	45.4	26.2	11.86	46.2	26.3	12.15	45.4	29.5	13.39	112	30.6	13.89	45.5	30.8	14.01	118	29.6	13.64

Source : I.L.O. : Year Book of Labour Statistics 1958 (Geneva, 1958).

Note : The percentages in italics indicate a fall in real earnings.



TABLE XII. AVERAGE WEEKLY EARNINGS IN MANUFACTURING INDUSTRY IN THE CAPITAL, 1954 TO 1956  
(In quetzals)

Industry	Unskilled workers				Skilled workers				All workers		
	1954	1955	1956		1954	1955	1956		1954	1955	1956
			Amount	As percentage of 1954			Amount	As percentage of 1954			
Food . . . . .	9.53	8.96	8.13	85	17.07	17.11	16.73	98	11.03	10.66	10.01
Beverages . . . . .	15.87	15.75	16.89	106	16.93	18.71	20.27	119	15.95	15.84	17.04
Tobacco . . . . .	12.96	13.48	14.46	111	17.45	20.56	26.44	151	13.09	14.24	15.50
Textiles . . . . .	11.75	14.31	11.42	97	11.52	11.09	13.03	113	11.65	11.91	12.48
Clothing . . . . .	9.50	10.21	9.87	103	11.95	10.86	12.33	103	10.86	10.47	11.06
Wood . . . . .	8.95	8.63	8.78	98	13.25	14.01	13.06	98	9.92	9.71	9.53
Furniture . . . . .	8.20	8.41	8.46	103	12.83	14.64	15.46	120	10.89	11.61	12.49
Printing, publishing . . . . .	10.94	12.49	11.93	109	23.15	28.54	29.31	126	19.97	19.86	19.77
Leather, leather goods . . . . .	9.16	8.91	9.37	102	—	—	—	—	9.16	8.91	9.37
Rubber, products, chemicals . . . . .	10.60	10.74	11.13	105	14.95	17.79	18.53	123	11.72	12.44	12.71
Non-metallic, mineral products . . . . .	8.62	16.53	16.38	190	20.28	23.11	22.04	108	16.21	18.46	17.83
Basic metal industries . . . . .	8.87	8.56	8.44	95	17.87	19.44	16.07	89	11.09	11.09	10.73
Transport equipment . . . . .	14.20	15.47	15.06	106	19.58	16.86	17.29	88	12.84	13.36	14.15
Electricity . . . . .	29.49	29.57	29.08	98	32.87	33.34	33.11	100.7	15.82	15.73	33.02
Over-all average . . . . .	12.46	11.98	12.10	97	17.95	18.25	18.92	105	13.39	13.89	14.01

Source: Economic Statistics Section, General Directorate of Statistics.

Note: The percentages in italics indicate a fall in real earnings.

the 1952 level except in some industries, namely wood, printing and publishing, leather and transport (table XI). The over-all increase in nominal earnings (18 per cent.) exceeded the rise in the cost of living (9 per cent.). Thus the average over the last two years reached the level of the minimum subsistence budget, which was exceeded, however, over the whole period in only four industries—printing and publishing, beverages, non-metallic mineral products and transport equipment. Two others—tobacco and electrical machinery—were sometimes above and sometimes below.

Between 1954 and 1956 on the other hand, whereas the cost of living increased by 3 per cent. the earnings of unskilled workers as a whole and of skilled workers in some occupations fell as compared with the previous year. The former were still above the minimum subsistence level in four occupations while the skilled men were below it in three others.

Table XII shows that skilled workers benefited most from the increase in real wages.

The same tendency for most of the gains to go to workers who were already best off is also found in agriculture. The relatively high wage rates paid by the United Fruit Company and the National Farms in the department of Guatemala increased still further, where as the corresponding wage rates on the other National Farms actually fell (table XIII). This contrasting trend widened still further the gap between the lowest-paid workers and the others and showed the advisability of an effective minimum wage to help reduce it.

TABLE XIII. AVERAGE MONTHLY EARNINGS OF ALL WORKERS IN THE UNITED FRUIT COMPANY AND ON NATIONAL FARMS, 1953 TO 1956

(In quetzals)

Year	United Fruit Company	National Farms	
		Guatemala department	Other departments
1953 . . . . .	78.28	—	—
1954 . . . . .	80.94	—	25.00
1955 . . . . .	90.65	91.67	20.82
1956 . . . . .	96.85	111.08	18.18

Source : United Fruit Company : 1956 Data, op. cit., and Guatemalan Social Security Institute.

Table XIV also shows that the gap has widened between the best-paid workers and the remainder. Although it is not known how reliable these figures are statistically, or to what

TABLE XIV. DAILY AND ANNUAL CASH EARNINGS IN INDUSTRY AND COMMERCE AND IN AGRICULTURE,  
1954 AND 1955  
(In quetzals)

Department	Industry and commerce				Agriculture			
	Earnings per day worked		Annual earnings		Earnings per day worked		Annual earnings	
	1954	1955	1954	1955	1954	1955	1954	1955
Whole country . . . . .	2.99	3.72	516.32	639.4	1.35	1.12	117.9	103.3
Guatemala . . . . .	3.11	4.07	601.78	770.6	0.68	0.74	85.1	108.2
Sacatepequez . . . . .	1.69	1.69	273.44	346.7	0.85	0.76	67.1	61.8
Chimaltenango . . . . .	1.75	1.41	234.55	223.9	0.86	0.86	71.3	102.1
El Progreso . . . . .	—	1.37	—	80.0	—	—	—	—
Santa Rosa . . . . .	1.97	1.83	163.52	176.1	0.87	0.80	36.9	32.8
Escuintla . . . . .	3.24	3.63	251.46	428.4	2.21	1.69	179.2	147.7
Sololá . . . . .	1.14	1.99	153.66	233.3	0.69	0.70	127.7	87.2
Quezaltenango . . . . .	—	2.05	—	345.5	0.89	0.60	127.6	123.2
Suchitepequez . . . . .	2.20	2.33	421.64	305.5	0.95	0.91	93.0	87.2
Retalhuleu . . . . .	3.44	1.72	268.16	102.3	0.82	1.10	81.2	107.1
San Marcos . . . . .	1.27	1.79	258.74	265.9	0.91	0.80	76.9	66.7
Huehuetenango . . . . .	2.07	1.99	233.53	149.3	0.56	0.95	34.6	43.1
Totonicapan . . . . .	1.68	1.61	294.46	289.5	—	—	—	—
Quiché . . . . .	1.38	1.08	263.72	229.6	0.72	0.71	86.3	71.5
Baja Verapaz . . . . .	1.18	1.07	524.36	151.3	0.89	0.51	91.6	77.6
Alta Verapaz . . . . .	2.23	2.49	281.21	261.6	0.49	0.46	37.1	41.8
Izabal . . . . .	3.67	2.38	338.18	258.6	2.03	3.77	665.1	657.0
Petén . . . . .	—	1.23	—	208.7	—	1.00	—	156.7
Zacapa . . . . .	2.60	2.15	360.37	324.0	0.76	0.63	96.8	59.2
Jalapa . . . . .	1.30	1.27	214.14	299.1	0.62	0.72	105.5	85.2
Jutiapa . . . . .	1.21	1.46	162.89	151.0	0.59	1.93	181.0	221.0
Chiquimula . . . . .	3.30	1.77	383.65	350.7	—	—	—	—

Source : Statistical Records Section, Labour Administrative Department, Ministry of Labour and Social Welfare.

extent they are representative, there was a general tendency in 1954 and 1955 for wages to rise in industry and commerce and to fall in agriculture.

In the absence of sufficiently detailed reliable statistics it is impossible to decide whether on balance real wages have risen or fallen since 1952. It is widely held in Guatemala that in very many cases they fell sharply, at least until 1956, and the trade union leaders have complained loudly about this development. Some of them have denounced the employers in industry and commerce and the big landlords for having "created a wages problem since the Liberation by cutting down earnings year after year".<sup>1</sup>

The Government also condemned the behaviour of certain employers and tried to help the lowest-paid workers by means of a legislative decree establishing a basic wage. In the words of the Minister of Labour and Social Welfare introducing the measure in Parliament on 25 April 1957—

When the National Liberation Movement finally triumphed, many employers in Guatemala thought that with Col. Castillo Armas as President all legislation relating to labour law, progress and social justice would be swept away . . . . These wage cuts, for which there is no shred of justification, are the main reason why the Government has placed this Bill before Parliament.

### MINIMUM WAGE POLICY

The 1956 Constitution lays down (article 116) as one of the fundamental principles of labour policy that "the minimum wage shall be fixed periodically in consultation with the workers and employers and with due regard to the kind of work done, the material, moral and cultural needs of the workers and the desirability of encouraging production".

#### *The Labour Code*

In accordance with this policy, the Labour Code<sup>2</sup> defines the minimum wage, lays down criteria (purchasing power and occupation) and specifies the wage-fixing procedure. This minimum must be fixed once a year under a three-tier system whereby the Government comes to its decision on the recommendation of the employers

<sup>1</sup> Consejo Sindical de Guatemala : *Boletín informativo semanal*, 26 Mar. 1957 (mimeographed document).

<sup>2</sup> See *I.L.O. Legislative Series*, 1956 (Gua. 2), which contains the amendments made to the Labour Code by Decree No. 570 of 28 February 1956 as well as references to the previous amendments published in the *I.L.O. Legislative Series*.

and workers concerned (forming part of a joint board under the chairmanship of a government representative) and in consultation with the appropriate governmental bodies.

These provisions were taken over bodily from the 1947 Labour Code. The Government of the time had tried to put them into effect but had run up against a number of insuperable difficulties. Following the recommendation of the technical assistance mission sent by the I.L.O. in 1952 a minimum wage of 1.25 quetzals a day was fixed for the textile industry, which was chosen as a pilot industry<sup>1</sup>; this wage has remained unchanged and is still the only one in force.

### *The Legislative Decree Establishing a Basic Wage*

These trends, particularly in prices and wages and the decline in the purchasing power of the lowest wages or their tendency to lag behind the rise in the cost of living and in the wages of the better-off workers, made it increasingly urgent to fix an adequate minimum wage. The Government fully grasped this need and as early as October 1956 announced its intention of tackling the problem by reorganising the Ministry of Labour and making it responsible for "fixing a basic wage to cover essential needs in food, clothing, housing, medical care, etc."<sup>2</sup> To this end a Bill was soon brought forward. Announcing this, the President's message to Congress on 1 March 1957 explained—

For my Government the worker is not simply a producer of goods but a human being who is entitled to steady employment in reasonable conditions for a fair wage, as well as to health, education and mental satisfaction.

The Government has submitted a Bill for the establishment of a basic wage. It has taken this course because before the existing minimum wage scheme can take effect, preliminary investigation is necessary and this has delayed action to deal with the workers' most urgent needs.

As the Minister of Labour pointed out to Congress on 25 April 1957—

The minimum wage scheme provided for by the Labour Code which came into force in 1947 has remained a dead letter in Guatemala with the sole exception of the textile industry, and even then the full survey was not completed, while the preliminary work was done under the auspices of the International Labour Organisation.

Economic as well as social considerations helped to account for this new measure. The Minister in his introductory speech said—

<sup>1</sup> See "An Approach to Minimum Wage Fixing in Guatemala", op. cit.

<sup>2</sup> Decree No. 1117, dated 15 October 1956, establishing the Ministry of Labour and Social Welfare (*El Guatemalteco*, 17 Oct. 1956).

It should not be thought that the Bill is designed solely to protect the workers. In drafting it the special circumstances and economic position of the employers have also been borne in mind. The economic growth of Guatemala is undeniable, but it is also a fact that the resulting profits have remained in a very few hands and virtually monopolised. This state of affairs is liable to hold up the progress of the economy, for it is essential that the wealth created by national development should be shared out among the majority and benefit the community as a whole.

This, as the preamble makes clear, was the spirit behind the important legislative decree establishing a basic wage, published on 30 April 1957. The text of the decree is as follows :

Whereas

In accordance with the Constitution of the Republic it is the duty of the State to create economic conditions conducive to social well-being and to foster good relations between capital and labour thereby necessitating legislation to maintain equity and justice between both sides of industry in accordance with the true social, economic and cultural needs of the Guatemalan people and the constitutional obligation to preserve the protective character which is the first essential of labour law ;

Every person in employment is entitled to remuneration enabling him to live in conditions of self-respect, which must be secured in such a way as to promote good relations between employers and workers ;

The minimum wage scheme provided for in the Labour Code will remain ineffective without proper co-ordination, by means of a realistic wages policy, of the economic factors involved in any relationship subject to labour law ;

The Parliament hereby decrees :

1. The Executive is hereby authorised, in exercise of its discretionary powers, to fix basic wages from time to time by means of duly substantiated orders issued through the Ministry of Labour and Social Welfare until such time as the technical work and research preparatory to the introduction of a system of minimum wages, as contemplated in the Labour Code, has been completed.

2. The orders referred to in the preceding article may be applied throughout the national territory or merely in a given area. They may further be applied to each professional, industrial, commercial, stock-breeding or agricultural activity, either throughout the country or in any part thereof, and likewise to specific undertakings.

3. The wages freely agreed to by employers and employees or fixed by the labour and social welfare courts may not be less than the basic wage or wages fixed in accordance with this decree.

4. The fixing of a basic wage shall in no circumstances constitute grounds for the reduction by the employer of the benefits and services that the worker was receiving at the time of application of this decree or for any increase in the volume of his work. Neither shall it imply any restriction or reduction of the worker's rights, as guaranteed by law.<sup>1</sup>

[This is followed by sections dealing with penalties, scope and entry into force.]

<sup>1</sup> Decree No. 1165 establishing a basic wage, 29 April 1957 (*El Guatemalteco*, 30 Apr. 1957, No. 19, p. 217, and *I.L.O. Legislative Series*, 1957 (Gua. 1.)).

The significance of this measure was emphasised in official quarters. The General Secretary of the National Liberation Movement (the official party) welcomed this statement of official wages policy as a major social advance.<sup>1</sup> Speaking in Parliament, the Minister of Labour presented the draft decree as "one of the most important labour measures in the history of our country".

Its chief aim was to restore the Government's power to fix wages directly, without making it necessary to set in motion the complicated machinery established by the Code. This power was granted for as long as was necessary to complete the preparatory work and research required to implement in full the sections of the Code dealing with the minimum wage.

This involved reversion to the principle of fixing wages by authority, which had been introduced in 1943. The Government of the day in a decree dated 27 July 1943<sup>2</sup> laid down that all firms in manufacturing industry must guarantee their workers fair wages having regard to their skill, the work performed and the economic and financial position of each individual firm. For this purpose the Government was empowered to fix minimum wages for various industries in different parts of the country. But before any action was taken to put this measure into effect, it was superseded by the 1947 Labour Code.

During the parliamentary debates which preceded the passing of the legislative decree of 29 April 1957 the question arose whether the minimum wage prescribed by the Code and the basic wage established by this decree were not one and the same thing. It emerged that, legally speaking, there was a distinction between the two.

In practice, the decree makes it clear that the basic wage must be established pending the introduction of the minimum wage (and as a temporary substitute for it) with exactly the same geographical or occupational coverage, i.e. professional, industrial, commercial, stock-breeding or agricultural occupations in all or part of the country and in particular undertakings. An amendment to delete this last phrase on the ground that it might weaken the competitive power of some firms was rejected by Parliament. Although the basic wage is only an interim measure, it does not necessarily follow that it completely supersedes the minimum wage, even provisionally. In the decree there is a major difference—there is no reference to family needs as in the definition given in section 103 of the Code. So far, it is impossible to say whether, in actual fact, the basic wage will be fixed having regard to the same

<sup>1</sup> *El Imparcial*, 22 Mar. 1957.

<sup>2</sup> *Diario de Centroamerica*, 27 July 1943, and *I.L.O. Legislative Series*, 1943 (Gua. 1).

factors as the minimum wage. For this, it will be necessary to see how the decree is put into effect, since the Government has not yet taken any action.

During the parliamentary debate a number of speakers dwelt on the hostility which could be expected from the employers, who considered that no new action was called for and that the minimum wage would be enough. Their general feeling was that the Labour Code as a whole, or at least in some of its provisions, was too advanced for Guatemalan conditions and it should either be amended or its introduction postponed. When the new Government revised some parts of the Code, it bore these views in mind but made no changes in the wording of the chapter dealing with minimum wages, or in the substance of the sections regulating wages. The employers, therefore, have not budged from their opinion that first of all the law should be revised in certain respects. They make this clear in one of their statements on the subject—

The workers must realise that they are bound to encounter opposition from the employers over wage increases as long as the vexed problem of dismissal pay is not satisfactorily settled. The reason for this is that in calculating dismissal pay, any wage increase is multiplied by the number of years' service. The law on this point is thoroughly unjust.<sup>1</sup>

Before submitting the draft decree to Parliament, the Government had sought the views of the trade unions at a meeting of delegates held in the capital.<sup>2</sup> One of the trade union federations, the Guatemalan Trade Union Council, which was not represented at this meeting, protested a few days later in its newspaper against the Government's proposal—

The basic wage which is now being prepared is anything but a step towards tackling the wages problem . . . . The way to give Guatemalan workers a square deal is to abide strictly by Chapter II of the Labour Code, which deals perfectly adequately with the whole question of the minimum wage and the procedure for fixing it . . . .<sup>3</sup>

### *The Action Taken*

#### *The State as an Employer.*

The State, which administers the National Farms, has, since the end of the Second World War, become one of the largest em-

<sup>1</sup> General recommendations of the Industrial Relations Committee, Second Conference of Private Employers, 19 July 1957, mimeographed document (Guatemala City, August 1957). This refers to the obligation of every employer, under article 116 of the 1956 Constitution, to pay compensation equivalent to one month's wages for every year of continuous service to any worker dismissed without good cause.

<sup>2</sup> *El Imparcial*, 22 Mar. 1957.

<sup>3</sup> *Boletín Informativo Semanal*, op. cit.



ployers in the country.<sup>1</sup> In this capacity it granted a minimum wage of 0.80 quetzal per day in 1951 to workers on these farms. Although still legally in force, this does not seem to have been put into effect everywhere, as can be seen from the wage statistics for the National Farms quoted earlier.

Where it is in effect, this minimum wage was recently increased to 1 quetzal a day. This affects 130,000 coffee pickers, during the harvesting season, with effect from 15 September 1957.<sup>2</sup> This increase in the minimum wage, according to the Minister of National Economy, Mr. Edgar Alvarado Pineta, was granted in order to enhance the workers' purchasing power and improve their living conditions, in accordance with the social policy of the late President Castillo Armas.

According to the newspaper *El Imparcial*, this increase had a mixed reception on the National Farms, where it had been hoped that it would be granted to all the workers. Others thought, however, that the Government's example would encourage private employers, particularly the coffee growers, to grant an increase in wages as well, or to introduce a contractual minimum wage.

### *The Contractual Minimum Wage.*

Collective agreements under which no worker covered by the agreement may draw less than a certain wage can be considered as establishing a minimum wage.

A look at the collective agreements signed between Guatemalan firms and their workers reveals no instances of this in industry and commerce and only a few in agriculture. Thus, on the El Zapote farm, under a collective agreement dated 12 January 1952, the minimum wage amounts to 0.80 quetzal a day plus an issue of food. Similarly, the collective agreement signed on 7 March 1949 between the United Fruit Company and the Compañía Agrícola on the one hand, and their workers' unions and the Unión de Trabajadores de Puerto Barrios on the other, fixed a daily minimum wage of 1.37 quetzals for Bananera and Tiquisate. According to figures recently published by the United Fruit Company<sup>3</sup> the guaranteed minimum wage in 1956 was 1.64 quetzals in cash plus various payments in kind whose estimated daily value was 0.16 quetzal, making the total minimum wage 1.80 quetzals. The same company

<sup>1</sup> The present Government is considering selling the National Farms in order to purchase the International Central American Railways. This Company, which has been losing money, has been put up for sale following a series of wage claims.

<sup>2</sup> *El Imparcial*, 12 Sep. 1957.

<sup>3</sup> 1956 Data, op. cit.

in a collective agreement signed with the Union de Trabajadores de Puerto Barrios on 13 November 1956 (which was due to come into force on 5 June 1957 for three years) undertakes to pay minimum hourly wages of 0.48, 0.57 and 0.69 quetzal, depending on workers' grades.

Lastly, mention should be made of guaranteed wages, which are distinct from, though akin to, minimum wage rates (and have much the same effect). An example of this is to be found in the collective agreement signed by the International Central American Railway Company and the railwaymen's union (S.A.M.F.). Under this agreement the minimum payment per trip outside normal working hours for grades 1 and 2 drivers and for guards is fixed at 5.25, 4.20 and 4.35 quetzals respectively. The wage rates of permanent standby staff are also guaranteed.

### *Trade Union Claims.*

This same union, which is active and well organised, has a remarkable record of success in raising the workers' wages. As a result of the chronic increase in consumer prices after 1946<sup>1</sup> it demanded an adjustment of the existing wage rates and the negotiation of a new agreement. The one now in force, which was negotiated in 1949, granted an increase of 40 per cent. in the case of wages lower than or equal to 30 quetzals a month, of 12 per cent. in the case of wages between 30 and 44 quetzals and of 5 per cent. in the case of higher wages. The claims made in a new draft agreement drawn up by the union in 1956 amounted to an all-round increase of 50 per cent. (unless specified to the contrary).<sup>2</sup>

### CONCLUSION

Thus, side by side with contractual minimum wages agreed on by the parties and stipulated in collective agreements, and minimum or guaranteed wages granted by individual employers, Guatemalan law provides for the fixing of a statutory minimum wage by government decision, reached once a year on the recommendation of the appropriate joint boards and following a general inquiry by the Labour Administrative Department. Until this statutory minimum wage comes into force, the Government is entitled to fix basic wages on its own initiative and authority.

<sup>1</sup> Dirección General de Estadística : *Boletín mensual*, No. 2, 1957, op. cit.

<sup>2</sup> See *Órgano de Información del S.A.M.F.*, 30 Sep. 1956. The parties were unable to agree on a new version and the dispute developed into a strike. The railwaymen were then requisitioned by the Government which is now considering buying the railways. Should it do so, the union has declared its willingness to forgo these claims and even to accept a wage cut.

There are therefore two courses open to the Government in seeking to protect the worst-off workers—the minimum wage provided for by the Labour Code and the basic wage fixed by the legislative decree of 29 April 1957.

By and large, there is no such thing as a minimum wage in force (apart from a handful of cases where it no longer has any relation to the present-day cost of living). A minimum or guaranteed wage is also found in a few collective agreements. Similarly, on a number of National Farms, there has in practice been a minimum wage since 1951 which was increased in 1957 in the case of coffee pickers. But the basic wage has not yet been put into effect and the statutory minimum prescribed by the Code has come into force only in the textile industry, where it remains at the level originally fixed in 1953. "It is unfortunate" wrote a trade union organisation on this subject "that Chapter II of the Labour Code (Title III) should have remained a dead letter."<sup>1</sup> The main purpose of the decree of 29 April 1957 was to find a way out of this impasse.

Since this decree the Government can take a direct hand in fixing basic wages. This approach duplicates, and is designed to supplement where necessary, the normal minimum wage procedure, which is operated by joint boards. Employers and workers can be expected to prefer this latter method, which gives them a voice in the fixing of minimum wages. This was, in fact, the procedure followed in the textile industry, which is the only case in which it has been introduced. Many public figures, employers and workers approved of this measure both in principle and in practice. Some of them, however, were against the decree of 29 April, one of the reasons being the lack of any reference in it to participation on their part. There was a clause to this effect in the draft submitted by the Government and the Committee but it was deleted by Parliament; nevertheless, this does not actually rule out any participation of this kind and there is nothing to stop the Government, in practice, from consulting the employers' and workers' representatives, at least unofficially. In fact, before submitting the decree to Parliament, it did sound out the trade union leaders in addition to consulting both employers and workers over the reform of the Labour Code in 1955.

From the legal standpoint the Constitution requires the Government to fix minimum wages and the law gives it power to do so. From the economic standpoint the country's prosperity should enable the great bulk of employers to adjust at least the lowest wages which, owing to the rise in the cost of living (resumed

<sup>1</sup> *Boletín Informativo Semanal*, op. cit., 26 Mar. 1957.

in 1958), now fall far short of the workers' reasonable needs and obligations. Even more than in 1952, economic progress should make it possible to raise the lowest wages. As it happens, during 1957 average earnings in most manufacturing industries in Guatemala City did increase slightly (table XI) and this should be of some help in carrying out the legislation on minimum or basic wages.

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