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Remittance Recipients in Guatemala

A Socioeconomic Profile



Multilateral Investment Fund
Member of the IDB Group

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This analytic brief presents the results of a quantitative analysis of the socioeconomic characteristics of the beneficiaries of international remittances in Guatemala. The analysis is based on household survey data from the 2014 Encuesta de Condiciones de Vida (ENCOVI, for its Spanish acronym), which was carried out by the National Institute of Statistics of the Republic of Guatemala¹. The survey has a sample size of 11,536 households (54,822 individuals) and is representative at the country, urban and rural level as well as for all departments of Guatemala. The high standards for quality applied to the design and implementation of the ENCOVI allow for disaggregated analyses of the characteristics of remittance beneficiaries in addition to reliable comparisons between the remittance beneficiary segment and the population at large. The statistical analysis for this brief was performed using the standardized version of the ENCOVI dataset contained in the Inter-American Development Bank's Harmonized Household Survey Databases for Latin America and the Caribbean (also known as Sociómetro-BID)².

Some notable findings of this brief



Almost 1 of every 10 **Guatemalans**

benefits from remittances.



69% **are women**

68% of remittance recipients are women.



Female-headed **households**

receive monthly amounts of remittances that are on average 30% higher than those received by male-headed households.



88% **of recipient households**

can be classified as poor or at risk of falling into poverty.



44% **of total household income**

On average, remittances constitute 44% of the total monthly household income of remittance recipient households. This share is even greater among rural, female-led and indigenous households, as well as among households led by adolescents or young adults.



Working-age **remittance recipients**

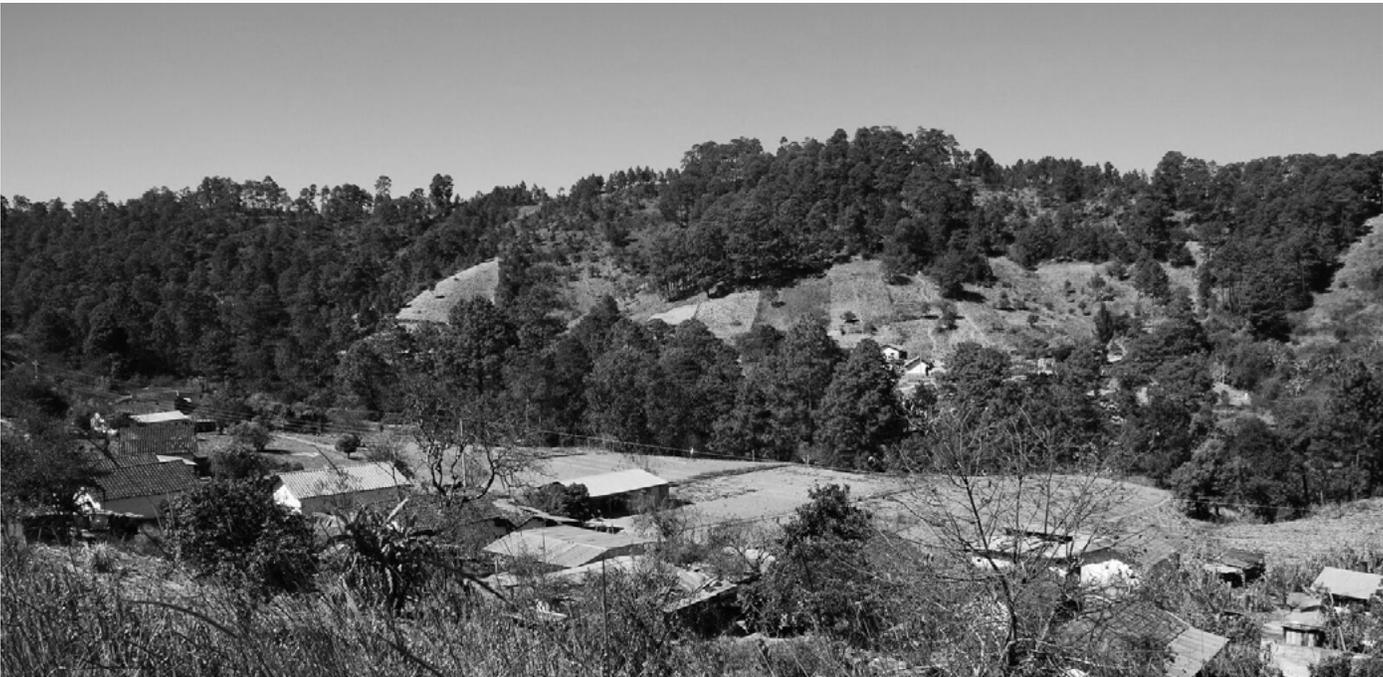
are more likely to work as microentrepreneurs and less likely to be salaried employees than the working population at large.

¹ For more information about the methodology of the ENCOVI, see the website of the National Institute of Statistics of the Republic of Guatemala at <https://www.ine.gob.gt>.

² Inter-American Development Bank Social Sector: Harmonized Household Survey Data Bases of Latin America and the Caribbean - Sociómetro-BID. Washington, D.C.: Inter-American Development Bank.

Contents

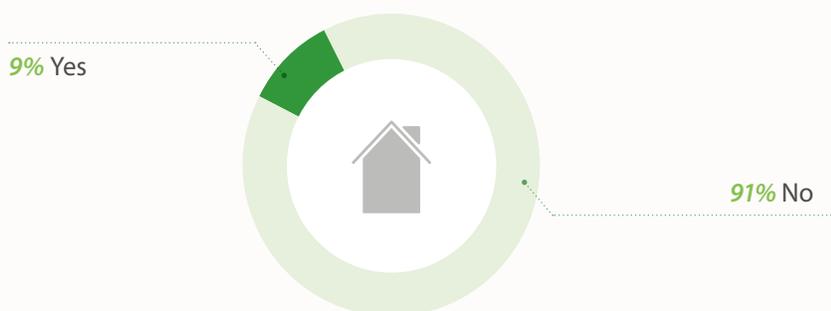
- Overview Statistics Page 4
- Location Page 5
- Gender Page 7
- Age Page 8
- Ethnic Identification Page 9
- Education Page 10
- Occupation Page 11
- Economic Situation Page 13
- Annex Page 15



Overview Statistics

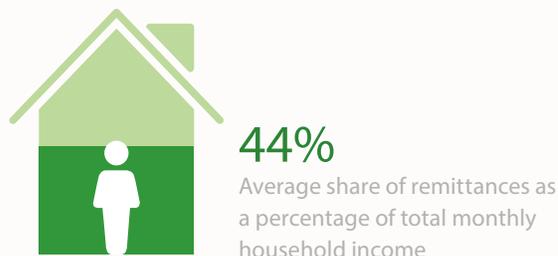
In 2014, 9% of all households in Guatemala received international remittances³. These households represented approximately 1,363,000 individuals. As a result, almost one in ten Guatemalans benefits from remittances.

Remittance recipient households in Guatemala⁴

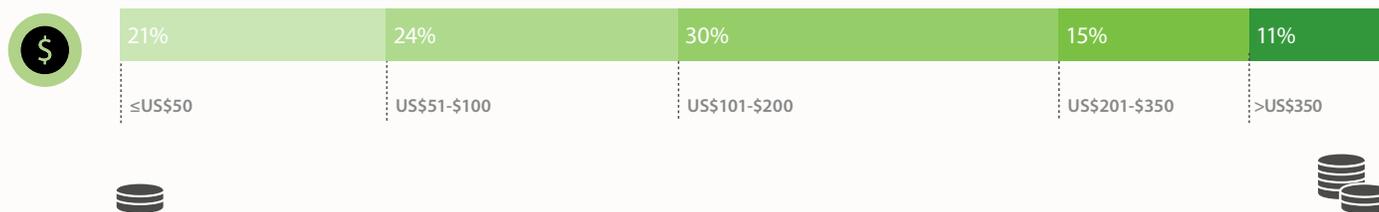


Remittance recipient households receive an average of \$161 in remittances per month (current prices). Remittances make up 44% of the total income of remittance recipient households.

Importance of remittances



Monthly household income from remittances, by % households



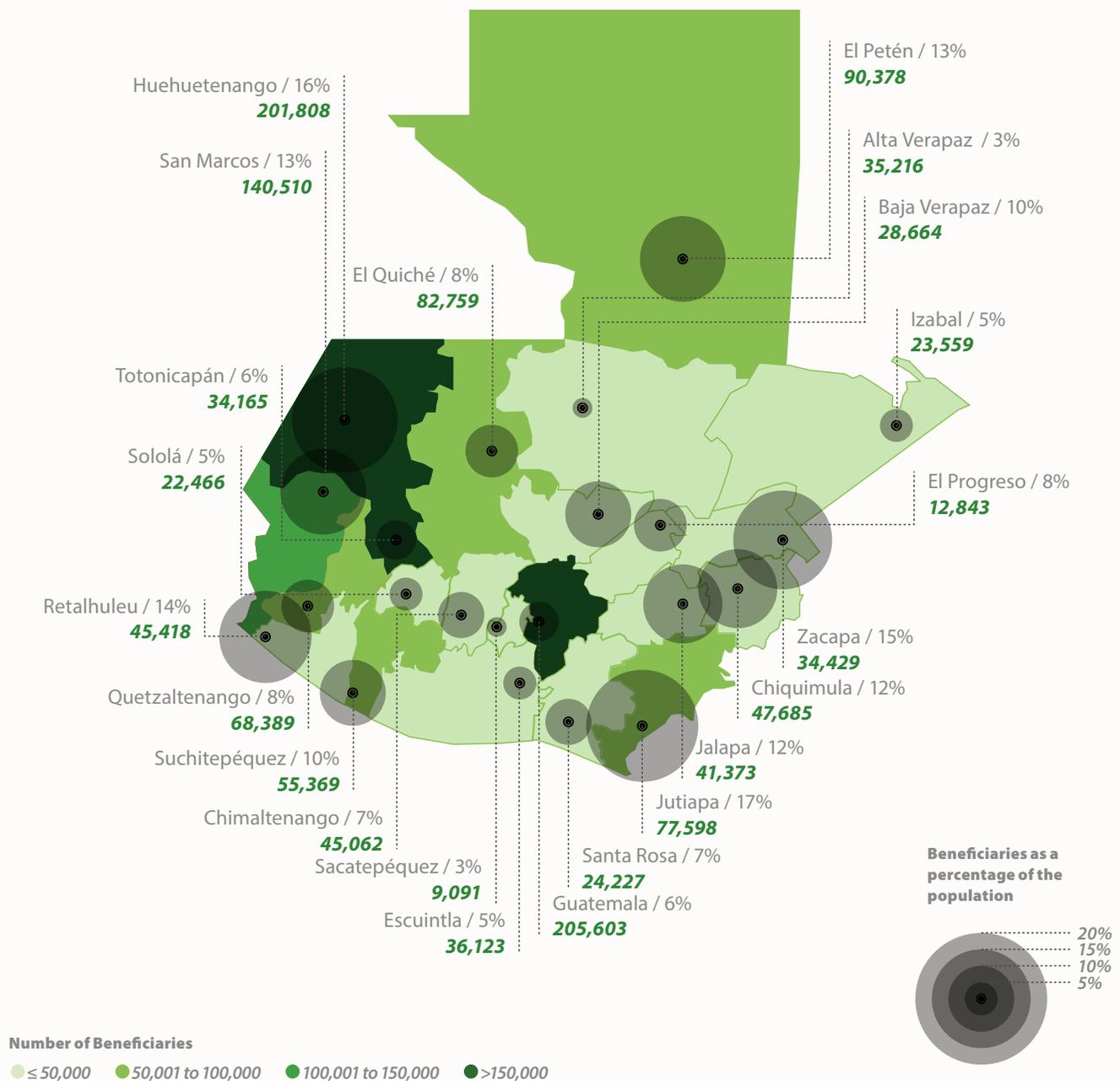
³ A remittance-receiving household is defined as a household in which at least one person reported receiving remittances in the ENCOVI 2014. Over the course of this brief, people living in these households are referred to as “remittance beneficiaries”. Please see the annex for more information about adopted conceptual definitions and operationalizations.

⁴ Due to rounding, the sum of percentages might not equal 100% in this and other graphics of this document.

Location

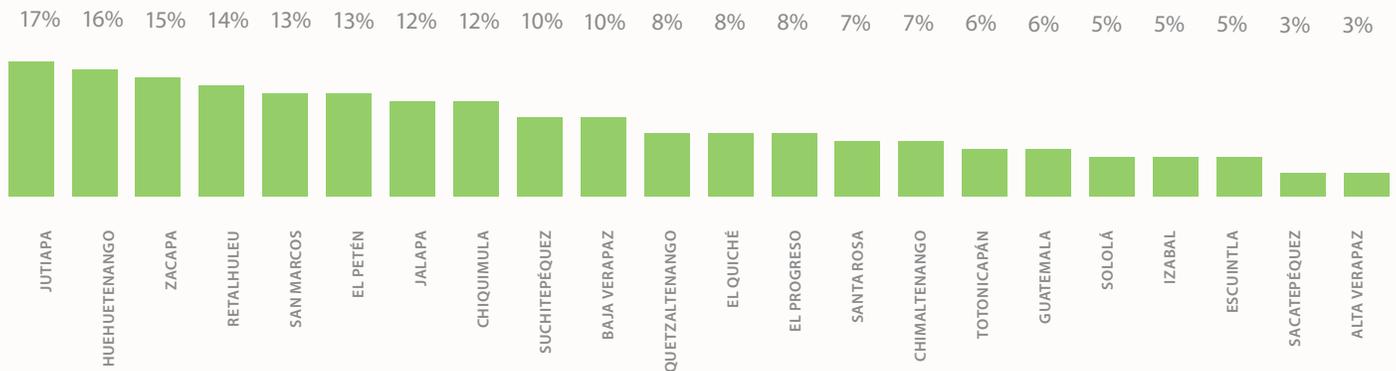
The department with the largest number of remittance beneficiaries is Guatemala, followed by Huehuetenango, San Marcos, and El Petén. Together, these four departments are home to almost half of all remittance beneficiaries in Guatemala.

Remittance beneficiaries by department (total number and as a percentage of total population)



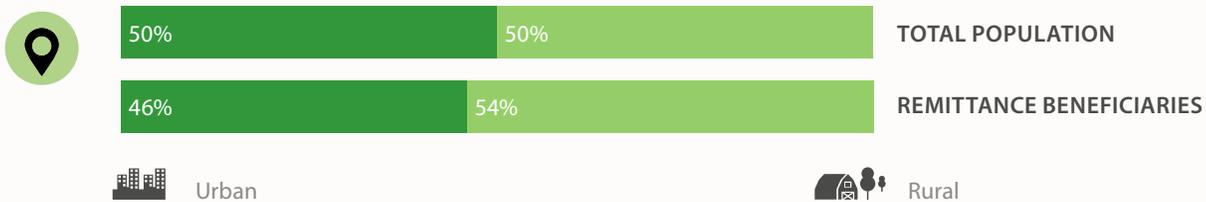
With 17% of its population living in households that receive remittances, Jutiapa has the highest share of people benefitting from this source of income of all departments in Guatemala. In 10 of the country's 22 departments the share of remittance beneficiaries exceeds 10%. While Guatemala is the department with the greatest number of remittance beneficiaries, due to its high number of inhabitants, its share of remittance recipients as a percentage of the total population is below the corresponding national average.

Remittance beneficiaries by department (%)

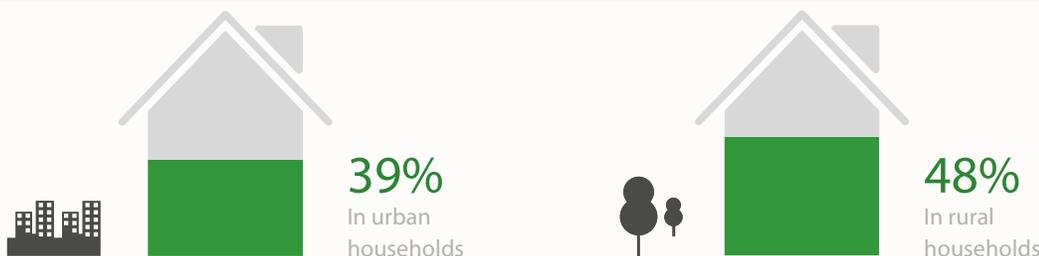


Remittance beneficiaries tend to be more concentrated in urban areas than the general population. While 50% of the Guatemalan population lives in urban areas, this number rises to 54% among remittance beneficiaries. The importance of remittances, measured as a percentage of total monthly household income, is higher among remittance recipient households that live in rural areas.

Geographic distribution



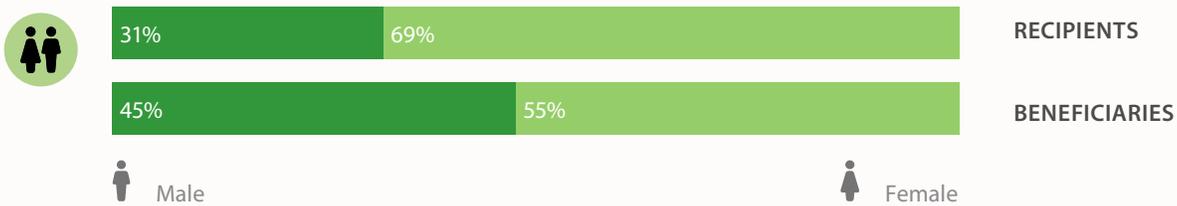
Importance of remittances as a percentage of total monthly household income, by geographic division



Gender

A large share of remittance recipients and beneficiaries are women. 69% of those who receive remittances are female, and 55% of all the persons living in households that receive remittances are women.

Remittance recipients and beneficiaries, by gender



Average monthly remittance income of remittance recipient households, by gender of the head of household



On average, female-headed households receive monthly amounts of remittances that are 30% higher than those received by male-headed households. The importance of remittances as a percentage of total household income is higher for female-headed households than for those with male heads of household.

Importance of remittances as a percentage of total household income, by gender of the head of household



Age

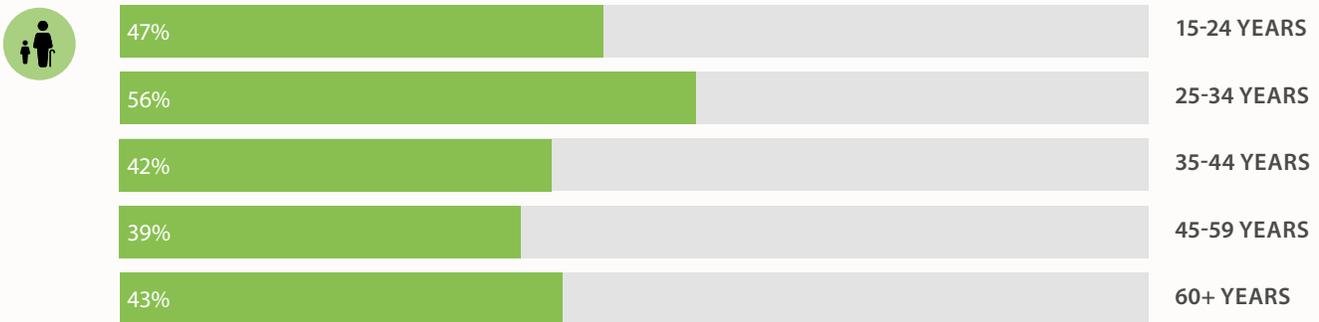
Almost a third of all remittance beneficiaries are below the age of 14; in absolute numbers, approximately 411,000 Guatemalan children benefit from remittances. The average age of remittance recipients is 44 years⁵.

Age distribution, persons living in households that receive remittances



Remittances tend to make up a greater share of total household income when a household is headed by a person age 34 or below. For these households, on average, remittances constitute more than half of all household income.

Importance of remittances as a percentage of total household income, by age of the head of household



⁵ Only people age 7 or older were taken into account for the calculation of the mean age of remittance recipients. Questions about income were not asked to individuals below that age.

Ethnic Identification

The share of people identifying as indigenous is 8% lower among the remittance recipient segment than among the population at large.

Ethnic identification*



* In order to allow for comparability with the segment of remittance recipients, the total population here only includes persons age 7 and older.

The importance of remittances as a percentage of total household income is significantly higher for households headed by a person who identifies as indigenous as compared to households where the household head identifies with a different ethnicity. On average, remittances constitute half of total income for the former set of households.

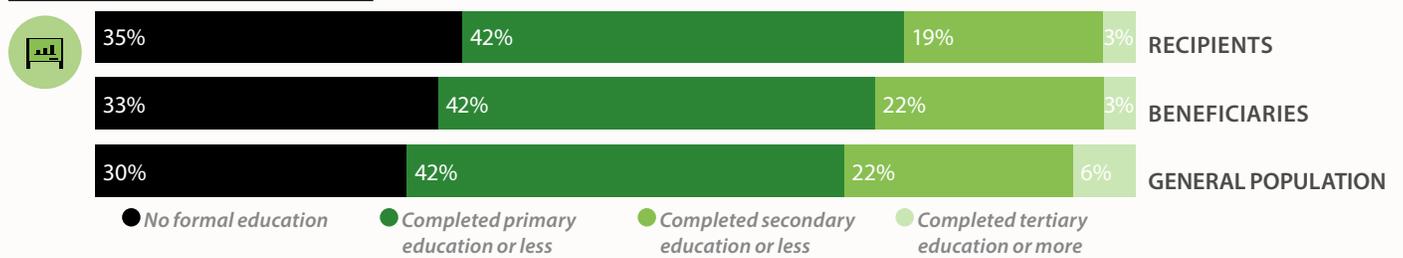
Importance of remittances by ethnic identification of household head*



Education

Overall, remittance recipients have low levels of formal schooling, demonstrated by the fact that 77% have a primary education or less⁶. Levels of formal schooling are higher among the Guatemalan population at large. The average number of years of formal education completed among remittance recipients is 4 years, compared with 4.9 years among the general population.

Level of Educational Attainment*



* This graphic only considers people aged 25 or older.

Average number of years of completed education*

Recipients



General population



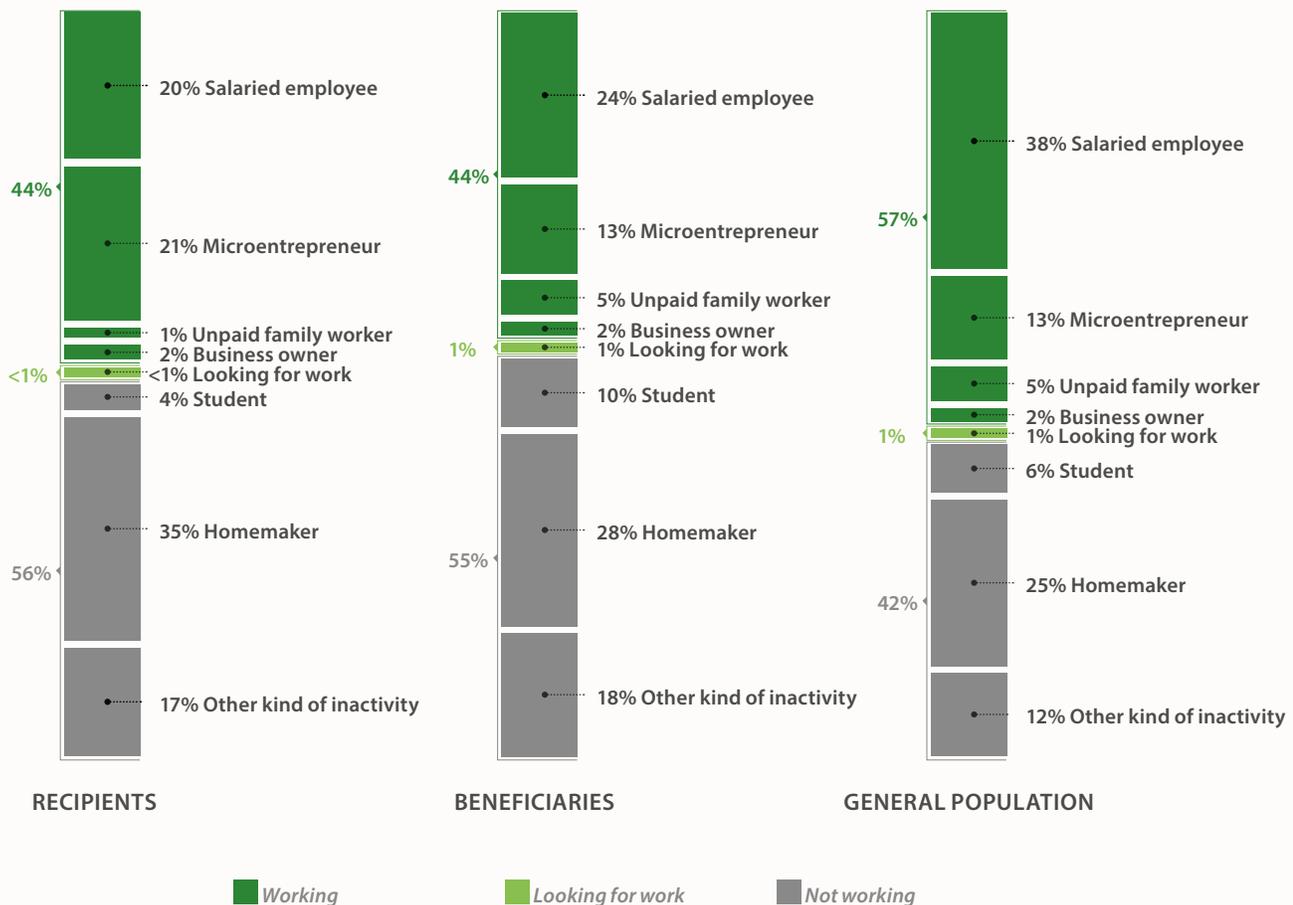
* This graphic only considers people aged 25 or older.

⁶ Following international practice, the analysis of levels of educational attainment only considers people aged 25 or older.

Occupation

More than two in five working age remittance recipients form part of the labor force, meaning that they are either currently working or are actively looking for work. Remittance recipients are less likely to be economically active than people in the general population. A considerable share of remittance recipients work as microentrepreneurs, suggesting a lack of access to paid work among this population segment. Almost two-thirds of those remittance recipients who neither work nor are actively looking for work self-identify as homemakers. This fact might be correlated with the high proportion of women among the population of remittance recipients.

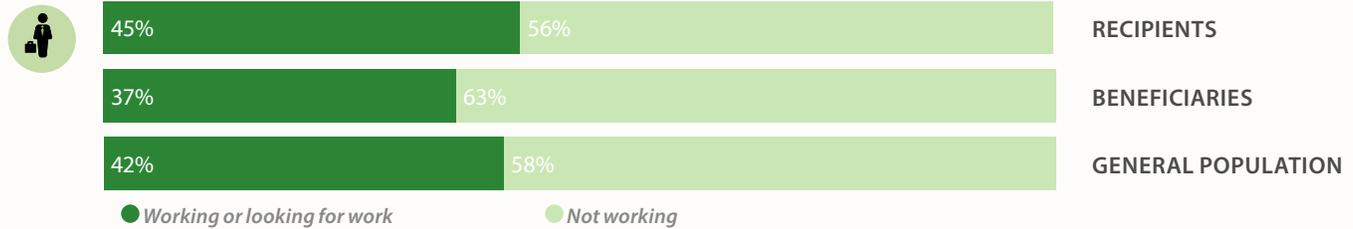
Occupation categories*



*This graphic only considers persons of working age, which ranges from 15 to 60 years of age.

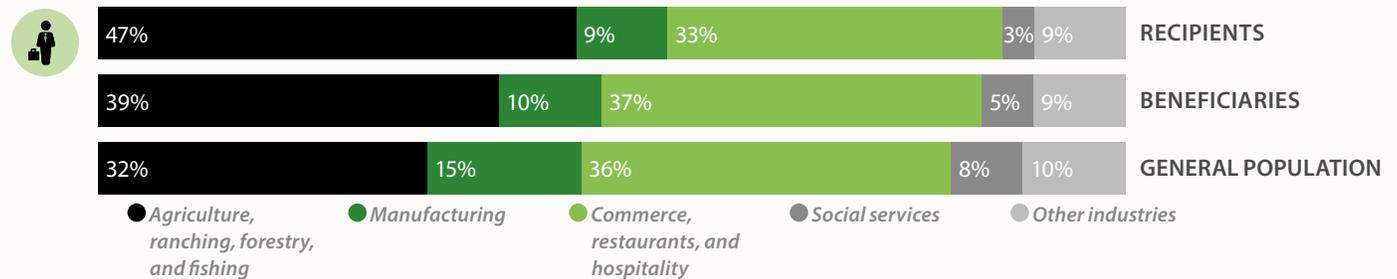
Retirement age remittance recipients have a lower likelihood of working or actively looking for work than people of retirement age in general. At the same time, remittance recipients age 60 or older have a higher likelihood than the average Guatemalan retiree of forming part of the economically active population.

Economic activity of people of retirement age



Remittance recipients who work as microentrepreneurs or business owners are most concentrated in the agriculture, ranching, forestry and fishing sector. Their representation in these industries is 15% higher than that of all entrepreneurs in Guatemala. At the same time, the share of remittance recipient entrepreneurs working in manufacturing and in social services is lower than the share of all Guatemalan entrepreneurs in these two sectors, respectively.

Microentrepreneurs and business owners by industry*



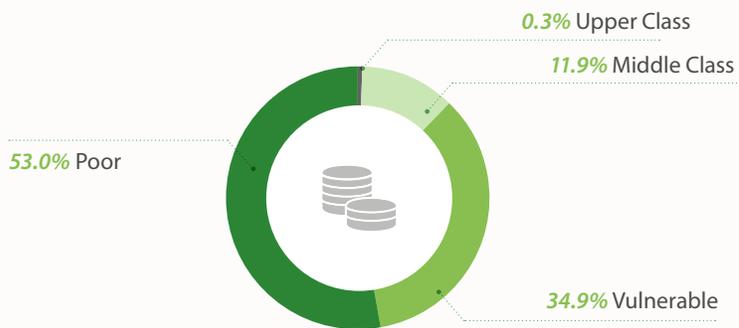
* This table only considers persons of working age, which ranges from 15 to 60 years of age.

Economic Situation

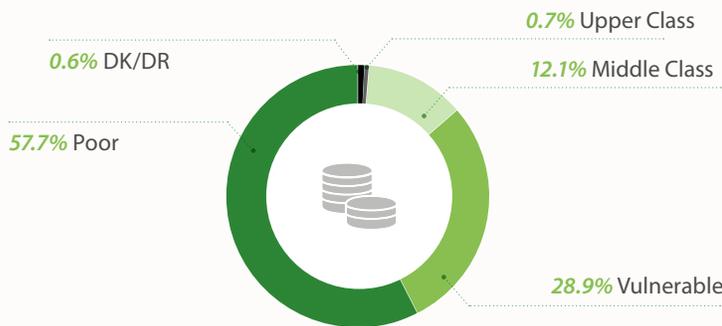
Almost four out of five remittance recipient households can be considered poor or at risk to fall into poverty. However, poverty is significantly less widespread among remittance recipient households than among the entire set of households. At the same time, the proportion of middle and upper class households is only marginally different between remittance recipient households and the general population. This suggests that remittances may serve as an important source of income to keep households from falling into conditions of poverty.

For the purpose of this study, “poor” refers to a purchasing power of US\$4 per capita per day or less (based on 2005 US\$). “Vulnerable” refers to an income of between US\$4 – \$10 per capita per day. The category “middle class” refers to a purchasing power of US\$10 – \$50 per capita per day, and “upper class” to more than US\$50 per capita per day.

Economic situation of remittance recipient households and of all households



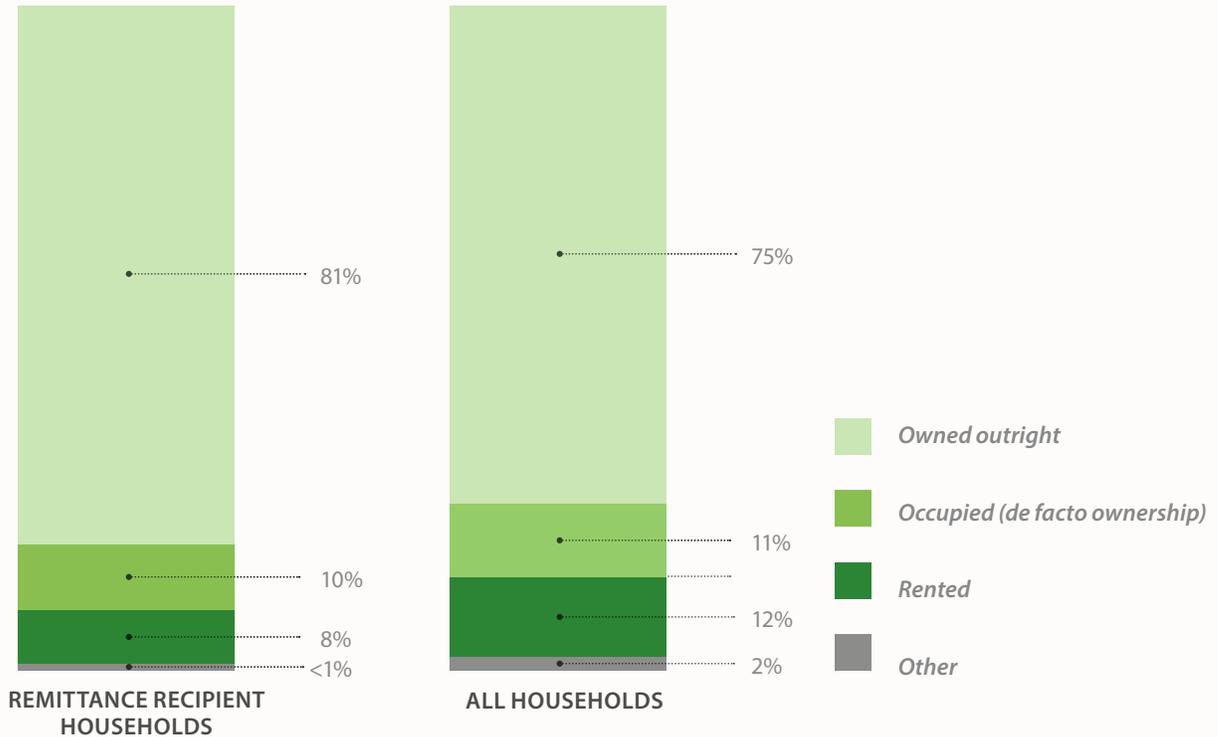
REMITTANCE RECIPIENT HOUSEHOLDS



ALL HOUSEHOLDS

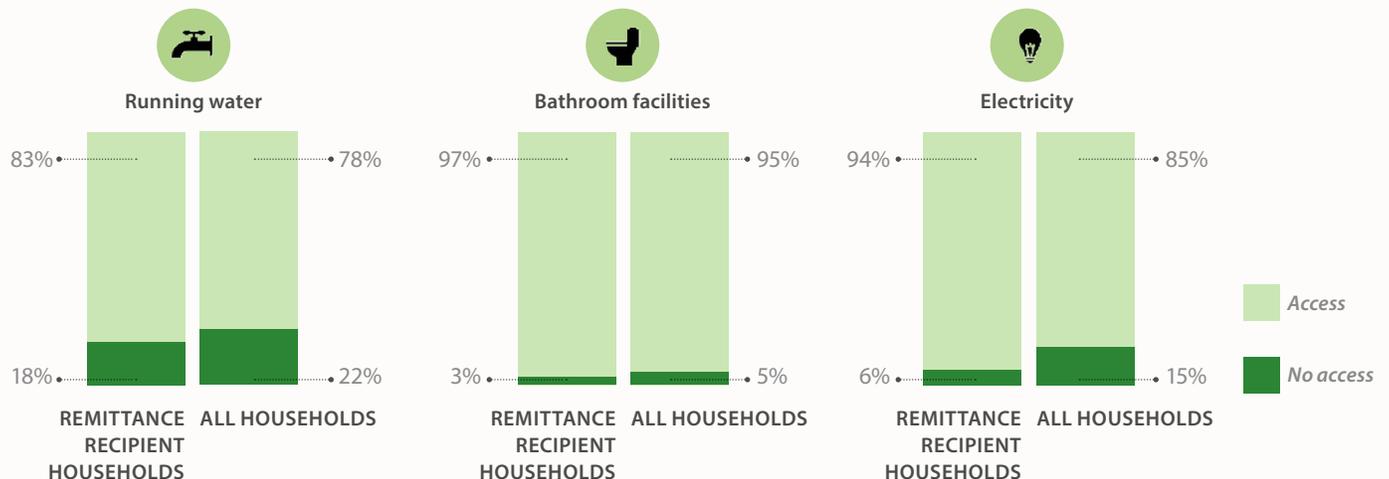
Homeownership rates are slightly higher among remittance recipient households than among the entire set of Guatemalan households. Only 8% of remittance recipient households live in a rented home.

Housing



Rates of access to basic services like running water, bathroom facilities, and electricity are higher among remittance recipient households than among households in general. The percentage of households without access to electricity among remittance recipient households is less than half of what it is for the overall population.

Access to basic services



Annex

Conceptual and methodological considerations

Remittance recipients

A remittance recipient is defined as a survey respondent who reports having received income from international remittances during the past three months. The corresponding question was asked to persons age 7 and older.

Remittance recipient households

Remittance recipient households are those households within which at least one household member reported receiving remittances, applying the previous definition of a remittance recipient.

Remittance beneficiaries

Remittance beneficiaries are all survey respondents who live in remittance recipient households. Households were coded as missing when none of their members reported receiving any income. Individuals who reported that they do not belong to the nuclear household (domestic employees, for example) were also coded as missing.

Exchange rate

The monetary income figures in United States dollars are obtained using an exchange rate of 7.72465 quetzales per United States dollar, which corresponds to the average monthly exchange rate of September 2014 according to the Central Bank of Guatemala.

Ethnic Identification

In the *Sociómetro-BIID* the following ethnic groups are considered as “indigenous”: K’iche’, Q’eqchi’, Kaqchiquel, Mam, Q’anjob’al, Achi’, Ixil, Poqomchi’, Chuj, Awateko, Pokomam, Ch’orti’, Jakalteko (Popti), Mopan, Uspanteko, Tz’utujil, Chalchiteko, Akateko, Xinka. “Other ethnic group” here includes Garifuna, Ladino (more than 99% of those in the sample who did not identify as indigenous identified as belonging to this group), and Extranjero.

Working age

The working age population of Guatemala is officially defined as all individuals aged 15 and older. In this analytic brief, people at or above the official retirement age were excluded from the working age population. The retirement age in Guatemala is 60 years.

Occupation categories

Describes the relationship between the individual and the means of production in his or her primary occupation. The *Sociómetro-BID* groups occupation categories as follows:

- **Business owner (originally patrón):** comprises owners of agricultural and non-agricultural businesses.
- **Microentrepreneur (originally trabajador por cuenta propia):** comprises agricultural and non-agricultural microentrepreneurs.
- **Salaried employee:** Comprises government and private sector employees, as well as day laborers and domestic employees.
- **Unpaid family worker:** Comprises persons who work for a family member without receiving monetary compensation.

Categories of inactivity

A response was coded as “other kind of inactivity” when the respondent reported having not worked for one of the following reasons in the past week:

- disabled;
- pensioner;
- retiree;
- sickness/recovering;
- waiting for work season;
- old age;
- idle;
- other reason.

Industries or sectors of occupation

Describes the sector of the economy in which a person carries out an occupation. This analytic brief uses the International Standard Industrial Classification of All Economic Activities (ISIC, rev. 3) of the Department of Economic and Social Affairs of the United Nations (1989). The category “other industries” includes:

- mining and mineral resource management;
- electricity, gas, and water supply;
- transportation and warehousing;
- financial and insurance activities; and
- construction.

Poverty levels

Poverty levels are established by comparing the income level of survey respondents with international poverty lines (purchasing power levels of 2005) of US\$4, US\$10, and US\$50 per capita per day. The corresponding categories are⁷:

- **Poor:** Daily income of less than US\$4
- **Vulnerable:** Daily income of between US\$4 and US\$10. While this group can generally be considered as having sufficient resources to cover their basic costs of living, their members have a high risk of falling into poverty
- **Middle class:** Those with a daily income of between US\$10 and US\$50
- **Upper class:** Those with a daily income of more than US\$50

Access to Basic Services

Measures whether or not a household has access to:

- running water,
- some type of bathroom facilities (toilet or latrine) and
- the electricity network.

⁷ For more information on the conceptualization of these economic groups, see: López-Calva, L.F. and Ortiz-Juárez, E. 2014. “A vulnerability approach to the definition of the middle class.” *The Journal of Economic Inequality*, 12(1):23–47.

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