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To the many who have cared,

Guatemalans are, out of necessity, resourceful. When faced with adversity, they confront the challenges before them with resolve and as much flexibility as the situation demands, despite the fact that, often times, the options before them leave much to be desired.

A recent report by Guatemala's Ministry of Education stated, "Illiteracy has its deepest roots in the economic underdevelopment which prevails in rural areas. From that point of view, it ceases to be strictly an educational problem, while becoming an economic problem, as well. Unemployment, low paying jobs, and a predominantly informal economy force parents to use children as labor in order to obtain other sources of income, thereby reproducing the cycle of illiteracy."

The Guatemalan workforce is divided into two segments: the formal and the informal. Employees of the formal sector work in salaried positions where they are guaranteed a minimum wage. They pay taxes, which provides them with standard social net benefits such as health coverage and social security. By contrast, members of the informal sector often piece together more than one job while trying to make ends meet. It is very much a hand-to-mouth existence. They are not eligible for basic social net benefits. They are often self-employed, offering services or selling a product, but also work in small, off-the-grid businesses not registered with SAT, the Guatemalan equivalent of the IRS.

According to the 2021 edition of Guatemala's Employment and Wage Census, the country's population is currently 17.1 million. Of that number, 11.8 million are designated as being of *working age*, which is defined as being 16 years of age and older. Among the working age population, 7.4 million people are categorized as being *economically active*, or working. The remaining 4.4 million, or the *economically inactive*, are predominantly made up of the elderly, disabled and non-working minors, age 16 to 18, who are still pursuing a full-time education.

The Guatemalan unemployment rate has remained relatively stable since the onset of the pandemic in March, 2020. In 2018 it was at 2.46%, while in 2019 it fell slightly to 2.33%. It averaged 2.6% in 2021 and is forecasted to approach 3% during 2022. These figures can be misleading however, for although the unemployment rate has not changed dramatically, the balance between the formal and the informal sectors has shifted significantly, while the informal remains dominant.

In 2018, 69.5% of Guatemala's labor force was employed in the informal sector, 30.5% in the formal. In 2019, 65.3% labored in the informal sector, 34.7 in the formal. This represents a very healthy 4.2% shift away from the informal to the formal. Two years into the pandemic, however, the news is not so encouraging. The percentage of people working in the informal sector jumped to 70.8, while the formal fell to 29.2%. The explanation is simple. People working in the private sector have lost jobs

during the pandemic, and responded by creating work or finding it among the small, off-the-grid businesses falling within the informal sector.

The loss of income is significant for those forced with transitioning from the formal to the informal sector. The average income for those employed in the formal sector is \$486. per month. Those working in the informal sector earn, on average, \$225 per month. The loss of stability is of equal or greater concern. There is no guarantee of income in the informal sector. An honest day's work can generate a decent wage on some days, but not so on others. In addition, the forfeiting of the basic social net benefits leaves one highly vulnerable in a number of ways, both short and long term. On a national level, formality is also preferred, as an informal economy is particularly susceptible to the impacts of recession and its resulting economic crisis, including the variety produced by a pandemic. And in general, a more skilled and educated workforce, the kind that fills formal positions, better positions a country to compete in a global economy.

The indigenous population is especially vulnerable to informality. Although they represent 37.3 % of the employed population, they account for 83.7% of workers making up the informal sector. Even within the informal sector, there is great inequality for the income of an indigenous worker is equivalent to roughly one-third of the income of his or her non-indigenous counterpart.

Rural areas are also susceptible to informality, as well, where nearly 75% of people work in the informal sector, compared to 44% in metropolitan areas. Not surprisingly, illiteracy prevails in rural areas, where as many as 75% of residents cannot read or write, all but guaranteeing that their options for employment will be limited to the informal sector. Today, 38% of the indigenous population, who largely populate rural areas, subsists on less than a dollar a day.

The vast majority of Guatemalans participating in the mass migration from Central America's Northern triangle (Guatemala, Honduras and El Salvador) to the United States, come from the country's rural areas, where the informal sector dominates. Given that poverty and instability are readily associated with informality, it is reasonable to assume that Guatemala's disproportionate Informal sector and the hardship accompanying a life defined by informality have, to a significant degree, driven the exodus.

There are many Guatemalans living in the metro Boston area. My home town is no exception. I have come to know a good number of them as neighbors, co-workers, family of friends and then as friends of my own. Almost without exception, they remain loyal to the family they have left behind in their native land. They do not forget them. It matters not how long they have resided stateside or how much they earn. They find the means to support their families long distance, despite the fact that personal sacrifice is often a prerequisite to their being able to give.

In Guatemala, the money sent and received from family living in the U.S is categorized as remittances. Remittances accounted for 12% of Guatemala's Gross National Product (GNP) in 2018. It was feared at the onset of the pandemic that the remittances would decline due to the disruption to the U.S. economy resulting at that time. Rising unemployment was chief among the concerns. The opposite proved to be true. Remittances grew to represent 14.6 and then 17.8% of Guatemala's GNP in 2020

and 2021 respectively, and are projected to reach 18.4 % in 2022. If such productions hold true, remittances will account for nearly 20% of Guatemala's GNP in the coming year.

Given that much of migration has its roots in rural areas, a high percentage of remittances find their way there. As such, remittances have better enabled rural areas to weather the economic disruption resulting from pandemic-driven loss of income in the informal sector. In Guatemala remittances are mainly used for consumption. Thus far, there have been no government initiatives to offer courses of study guiding families as to how they might invest the money to create small, start-up businesses. If well managed, such businesses could provide their families with employment and stable income for generations to come, while serving and advancing their communities at the same time.

Most of our residents come from rural areas and indigenous backgrounds. They could have opted to migrate to the U.S. in an effort to overcome the endless limitations accompanying the lives they faced. Some even have family members who have chosen that option and chanced the journey, not all of them successfully. But our youths have decided to remain in Guatemala and, with the education Only A Child can provide them, strive to one day be counted among the members of their society actively working to resolve the country's problems from within. They are committed to creating a Guatemala better able to look after its own, reducing and perhaps, one day, even eliminating the need to travel thousands of miles in search of hope, stability, and a life sustaining wage.

Once again, this year due to COVID health concerns, Only A Child's Board of Directors and I have decided to not hold an in-person spring fundraiser. We miss being able to gather with you. Board members agreed that meeting you and being able to thank you in person for your generous and caring support of our program is energizing and well worth planning an in-person event. Although we have not been able to gather since 2019, you have continued to respond generously to our newsletters. This is a true gift and affirmation of the work our youths do to complete their educations through university level. Even with the Coronavirus, the youths have progressed with the education through online classes, while maintaining their focus and positive attitudes. If you have young families, you understand the disadvantages to online school work. We remain proud of our youths and their accomplishments and know you are as well.

We humbly and gratefully thank you for your continued dedication to Only A Child, as well as for the commitment you show to each of these deserving young men, and ask that you respond generously to this year's *honorary* spring fundraiser by mailing the enclosed donation card with its return envelope. Checks can be made payable to **Only A Child**. You may also donate to support us through PayPal or with your credit card, by visiting our web site – www.onlyachild.org.

May God bless.

George

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