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Competition Law Enforcement in Informal Markets – Contribution from Guatemala

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Competition Law Enforcement in Informal Markets

- Contribution from Guatemala –

1. Introduction

1. The Superintendency of Competition of Guatemala presents this contribution focusing on the intersection between economic competition and the informal economy. The Guatemalan case is particularly illustrative, as it records a labor informality rate of over 70% that coexists with notably concentrated markets, due to the historical absence of regulations governing competition.

2. The Guatemalan labor market reflects one of the most pronounced expressions of informality in Latin America and the Caribbean. According to recent estimates from the OECD (2024) and the ILO (2024), around 79.6% of workers in Guatemala are employed in the informal sector, a proportion considerably higher than the regional average of 55.7%, and far from the levels observed in OECD member countries, where formal and regulated employment predominates. This high degree of informality highlights the country's structural limitations in generating quality formal employment, as well as gaps in productivity, competitiveness, and social inclusion. In this context, the Guatemalan case is especially relevant for analyzing how low market competition, regulatory barriers, and institutional weaknesses contribute to perpetuating informality and restrict sustainable economic development.

3. This analysis examines the context of informality in the country, describes the role of the newly established Superintendency of Competition, and explores the fundamental links between deficiencies in competition and the persistence of a large informal sector.

2. Context of Informality in Guatemala

4. Informality in Guatemala is a structural characteristic of its economy, not a marginal phenomenon. The most recent statistics confirm its magnitude: According to data from the General Directorate of Employment (2020), 17,946 companies requested contract suspensions and 9 out of 10 also requested benefits from the protection fund.

5. Uncertainty regarding unemployment and loss of purchasing power is reflected in data collected by the General Labor Inspectorate (2020) to date. Of the 15,450 labor complaints received, 30% were for individual or mass dismissals in the workplace; 34% for non-payment, reduction, or improper suspension without pay; and 18% for non-compliance with health and occupational safety measures.

6. Vulnerability and the absence of guarantees due to limited coverage of regulation and labor protection can be observed in data from the General Directorate of Employment (2020), which indicates that self-employed workers, who do not have a fixed salary, represented up to March 2020, 26.5% of the occupied population, and unemployment and underemployment rates hovered around 2.5% and 9.5%, respectively, of the working-age population.

7. Meanwhile, the informal economy, a segment whose activities depend on contact in streets and public spaces and which has been especially affected by mobility restrictions and confinement measures, represented 70% of the occupied population, out of a total labor force of 6.9 million people. It is a naturally concerning statistic that when it grows, it generally does so in sync with child labor rates.

8. According to the National Survey of Living Conditions (ENCOVI 2023) by the National Statistics Institute (INE) of Guatemala, 70.3% of the occupied population works in the informal sector. This implies that only three out of every ten workers have a formal job.

9. The Regional Competitiveness Bulletin of the Honduran Council of Private Enterprise -COHEP- (July 2025) ranks Guatemala as the country with the highest labor informality rate in Central America, at 83.2%, followed by Honduras (82.6%), Nicaragua (63%), and Costa Rica (37.4%).

10. The National Employment and Income Survey (ENEI 2022) by the National Statistics Institute (INE) of Guatemala corroborates this reality, with 71.1% informality versus 28.9% formality. Territorial inequality is notable: 45.4% of informal employment is concentrated in rural areas, reflecting limited economic opportunities outside urban centers.

11. The formal business structure offers an equally revealing picture. The Employer Report 2024 from the Ministry of Labor and Social Security of Guatemala documents 1.6 million formal positions, representing only a fraction of the total labor force. It is worth noting that 69.2% of formal businesses are micro-enterprises (with 1 to 10 employees), entities with limited administrative and financial capacity to absorb the costs associated with formalization.

12. Regarding Gross Domestic Product (GDP), the Bank of Guatemala estimated that, up to 2021, the informal sector generated Q138,445.70 million in gross value added, equivalent to approximately 23% of the national GDP. This figure underscores that informality does not represent a residual sector, but a substantial component of the Guatemalan economy.

13. The causes of informality are deep and multifaceted. The Ministry of Economy of Guatemala, in its Strategy for Business and Employment Formalization (June 2025), identifies the main obstacles as the complexity of procedures, restricted access to financing, and the lack of business capacities. However, the most critical underlying factor is the low level of investment. Between 2010 and 2022, Guatemala allocated on average only 14.9% of its GDP to investment, a figure much lower than the Latin American average (20.4%) and that of Southeast Asia (35%). This chronic deficit in investment, both public and private, severely restricts the generation of quality formal jobs.

3. The Superintendency of Competition in Guatemala

14. The institutional framework for economic competition is newly created. The Congress of the Republic of Guatemala approved the Competition Law (Decree 32-2024) in November 2024. The integration of the board of directors of the Superintendency of Competition was finalized in August 2025, and the election of the Superintendent took place in October of the same year. The institution is currently in an initial phase of administrative formation and implementation, concentrating its efforts on:

- Approving its internal regulations and law enforcement regulations.

- Developing guidelines for the implementation of competition regulations.
- Building specialized technical capacities for investigating anti-competitive conduct.
- Initiating the analysis of regulatory barriers that hinder free competition in Guatemala, which must include a proposal for reforming any type of regulation that contravenes the Competition Law, to be presented to the Executive and Legislative branches within a period of 2 years.

15. The initial strategy will combine the promotion and dissemination of the benefits of competition with market studies that guide investigative work. Considering the historical absence of legislation in this area, a priority objective is to foster a culture of competition in both the public and private sectors. The Superintendency expects to advise the Executive Branch on the design of a State policy that consolidates competition as a fundamental pillar of economic development.

4. Competition and Informality: A Determinant Connection

16. There is a causal relationship between market concentration and the high informality rate. When a small number of actors dominate key economic sectors and significant barriers to entry prevail, two harmful effects occur:

1. Established companies lack incentives to expand aggressively, innovate, or compete for workers by improving wages and working conditions.
2. Entrepreneurs and new businesses face almost insurmountable obstacles to entering and growing in the market.

17. Studies on the Guatemalan economy, such as the World Bank's diagnostic "Creating Markets in Guatemala" (Eberhard-Ruiz, 2021), highlight the existence of significant barriers in certain sectors. These barriers include prohibitive initial capital requirements, economies of scale, control of distribution channels, and, in certain cases, regulations that hinder the entry of new competitors. The consequences of this scenario are evident:

- Stagnation in business renewal: Guatemala has one of the highest average business ages in the world (28.5 years), which evidences a notable limitation in "creative destruction" – the essential process by which innovative companies replace less efficient ones – a symptom of a market with low competition and dynamism.
- Inequitable distribution of value added: Approximately 80% of the value added in the formal sector is captured as business profits, while wages barely represent 20%. This proportion doubles that observed in comparable middle-income economies, where wages usually represent around 42%.
- Chronic deficiency of formal employment: The lack of competition and business dynamism has led to the generation of formal jobs in Guatemala being, according to estimates, 14 times lower than in other Latin American countries with similar characteristics.

18. This economic environment severely restricts the creation of formal jobs. Faced with a scarcity of opportunities in the formal sector, the population is driven to seek livelihoods in the informal economy. Consequently, the effective application of the Competition Law is configured as a fundamental instrument to address the challenge of informality. By combating anti-competitive practices, reducing artificial barriers, and

promoting the entry and growth of new businesses, a robust competition policy can stimulate investment, increase productivity, and boost the demand for formal labor.

5. Conclusion

19. Informality in Guatemala represents a complex and deeply rooted challenge, with causes found in low investment, market concentration, and institutional weaknesses. The Superintendency of Competition constitutes a historic opportunity to address one of the key structural factors behind the lack of market competition.

20. The decisive implementation of the law, supported by adequate resources and political will, can contribute significantly to unleashing the country's economic potential, fostering innovation and the entry of new firms, and generating a virtuous cycle of formal job creation. For the Superintendency of Competition of Guatemala, influencing the reduction of informality begins by ensuring that markets are more competitive, dynamic, and inclusive.

21. In alignment with OECD guidelines, the reduction of informality must be addressed not only through enforcement but also through economic incentives that make formalization attractive, boosting productivity, innovation, and fair competition. In this context, the newly created Superintendency of Competition of Guatemala represents a strategic tool for transforming the economic environment, ensuring more open, dynamic, and inclusive markets.

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