



# 1. BPO

#INVESTINGUATEMALA

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Industry in Guatemala

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# General information of the country

Capital City	Guatemala
Currency	Quetzal
Exchange Rate (2013)	1US\$ = 7.86 quetzales
Official Language	Spanish
Population	15,438,384
Labor Force (2013)	5.9 Million
GDP (2013)	US\$53.8 Billion
FDI inflows (2013)	US\$1.3 Billion
Exports (2013)	US\$10.1 Billion

Source: Bank of Guatemala and National Institute of Statistics

# BPO Industry in Guatemala



Guatemala has the largest, youngest economically active labor force in Central America. With more than 15 million inhabitants and more than 70% being younger than 40 years old, Guatemala has a vibrant young human resource available for this industry.

The country has more than 10 years of experience in the BPO-Call Center space. In the last five years this sector has matured due to joining efforts across private, governmental, and academic sectors with the aim of creating synergies to support the growth and sustainability of this industry.

Large multinational service providers validate the industry's positive trajectory, with global market leaders such as Atento, EGS, Telus, Capgemini, Genpact and Xerox now situated in the country and contributing to the nation's nearly 35,000 service-outsourcing employees.

# BPO Industry at Glance

Total revenue (2013)	US\$650 Million
Income Growth (2009-2013)	300%
Total employment	35,000 agents / 20,435 bilingual
Foreign Direct Investment (2006-2013)	US\$104.8 Million
Exports (2013)	US\$552.5 Million
Main services	Customer interaction, finance & accounting, procurement & logistics, HR administration, Knowledge services
Leading companies	[24]7, Capgemini, Genpact, Telus, Atento, EGS, Allied Global, ACS Xerox, Digitex, Serco

# Why invest in this industry?

Guatemala is the gateway to services outsourcing in Central America. It offers multiple advantages and benefits to position itself as the best outsourcing destination in the region.

- Talent cost and availability: With more than 15 million inhabitants, Guatemala has the largest population of Central America. Of them, 70% is younger than 40 years old. The country's labor force is of 5.9 million people, mainly characterized by their high standards in customer service due to cultural aspects of its people. The country offers a young, long-term sustainable human resource for the BPO industry.

English proficiency is high among the young generations, as stated by company's officials operating in the country. They have repeatedly stated that they have chosen Guatemala because of the country's high language skills, a key aspect for this type of industry.

A wide range of private academies, plus the offer of the language departments of the public university and the technical institute (INTECAP), offer English courses specially focused for the young avid to develop their English knowledge.

- Favorable business environment: The World Bank's 2014 publication of the Doing Business, displays Guatemala among the best countries to do business with of all Latin America. Guatemala ranks as one of the Top 10 countries in Latin America and the best one in Central America for doing business. Its key reforms in aspects like establishing a business, obtaining construction licenses and paying taxes, also position Guatemala as one of the Top 10 reforming countries in the world.

- Government incentives & regulations: Specific laws benefiting the industry offer great incentives for both national and foreign companies by exonerating them from several taxes if they fulfill specific requirements.

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- First-world telecommunications and electric infrastructure: Guatemala offers a flexible and competitive legislation in terms of telecommunications, allowing a higher development of its infrastructure.

Guatemala offers redundancy levels of 99.99%, connectivity through 3 submarine cables and two ground cables, STM-6 installed capacity, 4G wireless capabilities, speed on fixed lines of up-to 10 Mbps and internet speeds of 30-50 Mbps, 16 internet service providers and 3 phone service providers (with more than 20 million cell phone lines, Guatemala has a penetration index of 119.5%, according to data from the Superintendence of Telecommunications).

Guatemala also has an extremely dynamic electric industry, offering coverage index of more than 95% of Guatemala City and with an impressive stability that exceeds the clients' expectations. This translates to a high stability in the electricity service offered in the City, and also represents a clear advantage for the country.

- Well Developed Call Center/ BPO industry: With more than 10 years of existence, this industry has achieved a high level of maturity and has made that the private sector, Government and Academia work in synergies in order to support the growth and sustainability of the industry.

The excellent standards of the players operating with the country have made the industry appealing to the young population, making the work desirable and a goal to achieve for many of the youngsters.

- Excellent geographical location: Located in the heart of the America, Guatemala is an excellent nearshore destination, with a time zone similar to North America (Central Standard Time) and just 2-3 hours away from the United States' major cities. With an airport rated A1 and with more than 160 direct flights to the most important cities in the world, Guatemala is the best destination for business.

- Cultural Affinity: The closeness with the United States and the influence of the imported broadcast industry from America gives Guatemalan people a cultural affinity with the American society (main market for the BPO/Call Center industry).

- Neutral Accent: An advantage for the sector is the neutral accent in the pronunciation of Spanish in Guatemala. This allows information to clearly maintain communication. We have the potential to meet Spanish operations at competitive costs compared to other Spanish-speaking countries. Moreover, we have great potential to cover the bilingual section (Spanish and English) of the Latino market in the United States.

## 1.BPO

The industry is being fueled by BPO activities. In 2013, 68% of the estimated revenues of this industry corresponded to customer interaction. Finance & accounting represented 16%, and other activities such as procurement & logistics, HR administration and knowledge services for the remaining 11%.

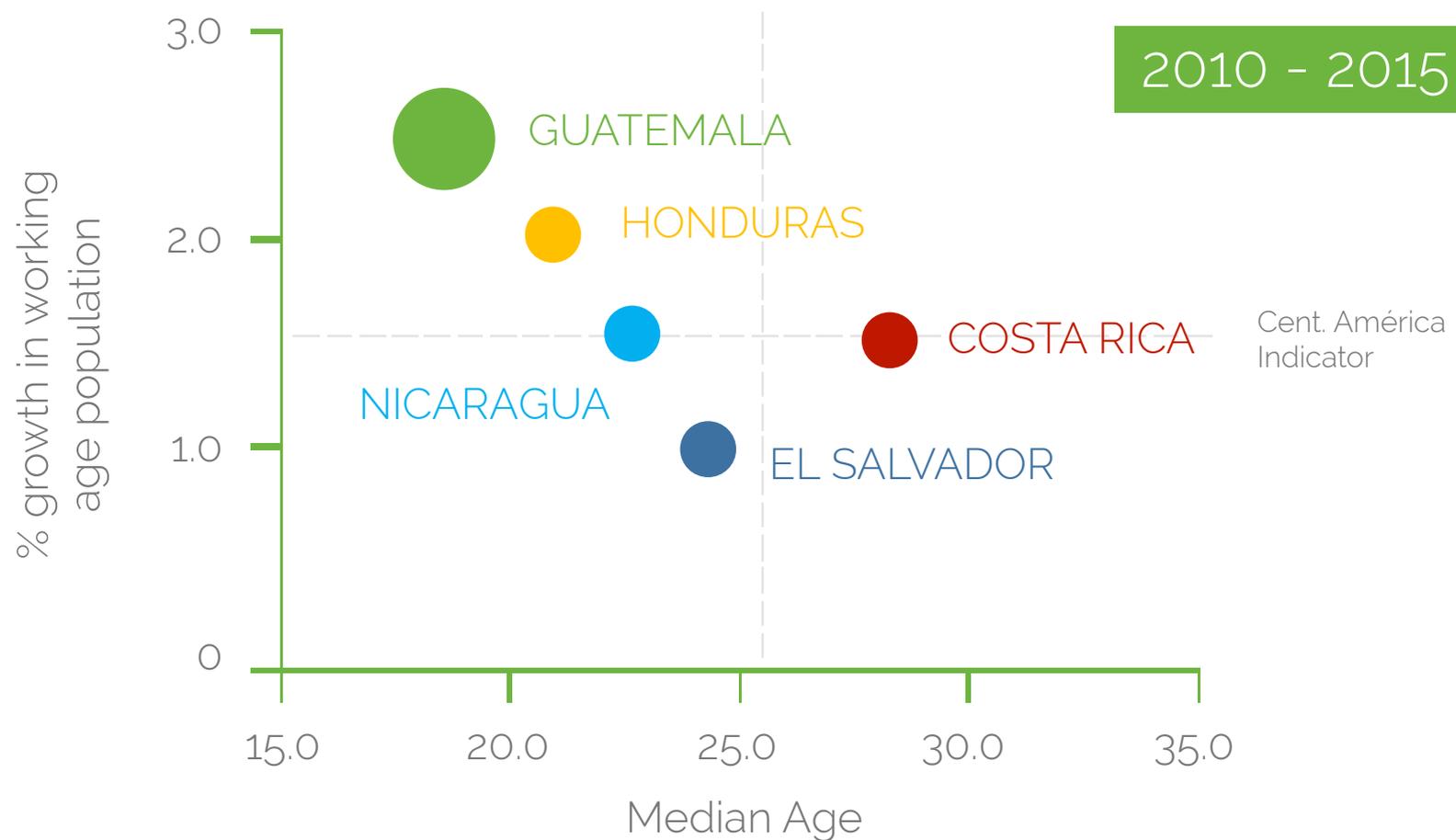
It is also important to mention that the vast majority of this industry's services are delivered abroad. As estimated by Tholons, 85% of the BPO services are exported to important markets like the United States (which takes half of these exports), Mexico, Central America, Canada, Spain and several others in Latin America & the Caribbean.

This amazing growth rate has also hit the players' profits, rising to US\$194.9 million in 2011 (according to the National Commission of Call Centers & BPOs). It has also led to such a development that currently represents around 49% of the entire services sector in Guatemala.

The Business Process Outsourcing industry, due to the nature of its operations, is also important in terms of exports, allowing a high amount of foreign currency into Guatemala.

Giving service mainly to the US, Spain and the rest of Central America, in 2011 it reported exports for US\$162 million, but having a potential to export, jointly with the software development industry, a total of US\$1.3 billion by 2015, experiencing a growth rate of more than 500% in less than 10 years and becoming established as one of the main exporting sectors of the country.

# Guatemala offers an important advantage being the largest and youngest economically active labor force in Central America

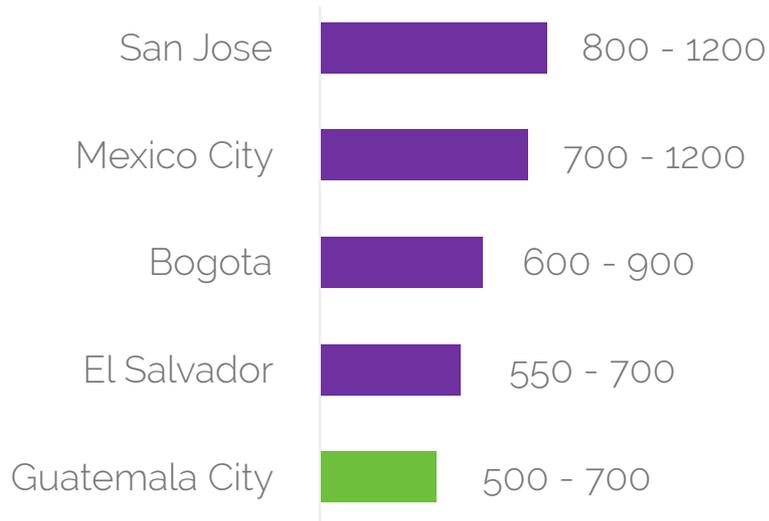


## 1.BPO

Guatemala clearly shows comparable costs to its immediate competition. However, the country's competitiveness costs complement this with a much more mature BPO-Call Center industry and a potentially more scalable availability of talent.

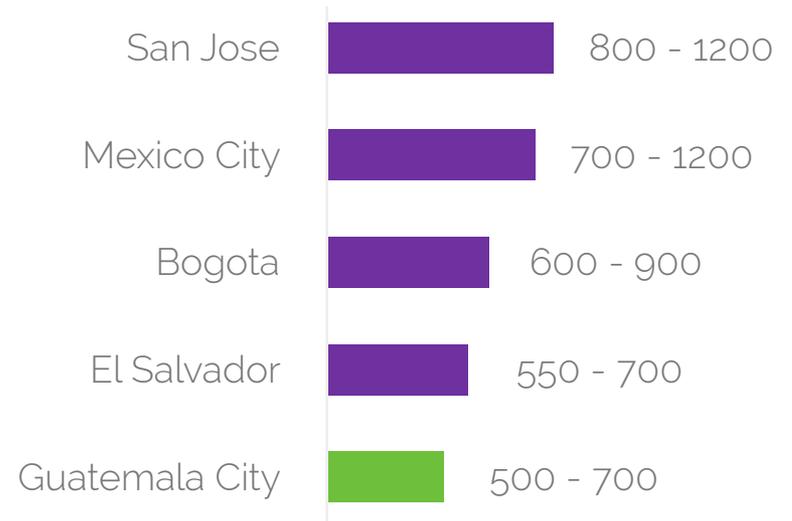
### Entry-level Salaries for Transactional BPM

USD, Includes CIS, Rule Based Processing Functions



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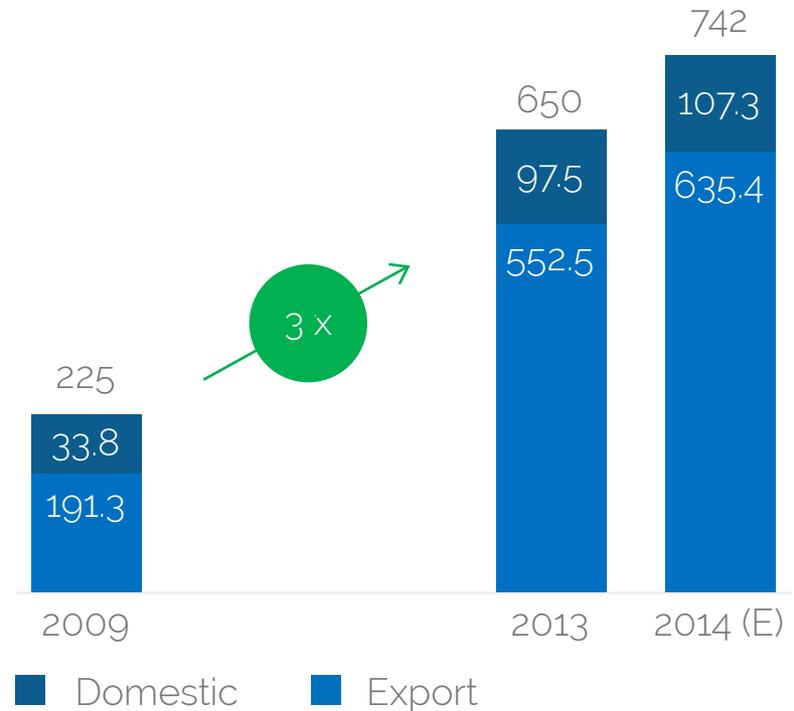


# 1.BPO

The growth of the BPO industry between 2009-2013 showed a healthy and continually expanding industry, tripling revenue figures from 2009 to the end of 2013. With the majority of revenue from exports of services to the US market, Guatemala must maintain and strengthen their position on this. As for the focus on vertical markets by IT-BPO sector (domestic and exports): Telecom verticals, B & FS, and Manufacturing, Distribution and Retail are the most likely to use Guatemala BPO services.

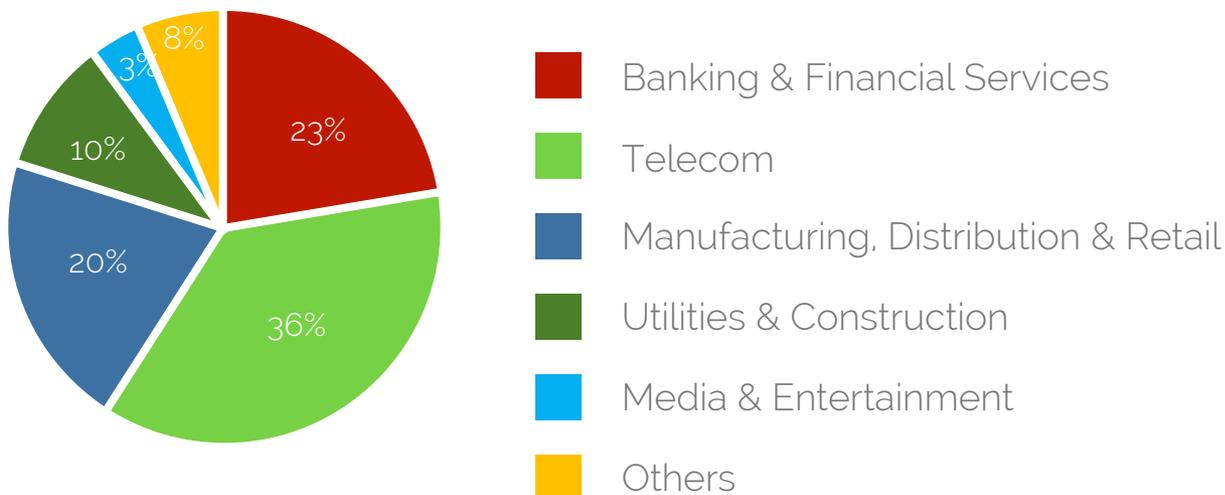
## Total BPO Revenues (2009 - 2014), USD MM

Tholons Insights Survey Estimates, Excludes Software & IT Services



## Estimated split by verticals, %

Tholons Insights Survey Estimates, Literature Reviews and Interviews



## 1.BPO

The following table shows the service portfolio of IT-BPO providers located in Guatemala, focusing on the potential ITO and BPO current tilt of the country.

SECTOR	HORAS DE TRABAJO	
BPO	<ul style="list-style-type: none"><li>- Customer service</li><li>- Telemarketing / Sales</li><li>- Support</li><li>- Back Office</li><li>- Data Processing</li></ul>	<ul style="list-style-type: none"><li>- Payment Processing</li><li>- Debt Recovery</li><li>- Reconciliation of accounts payable</li></ul>
KPO	<ul style="list-style-type: none"><li>- Graphic design</li><li>- Accounting, Financial Management</li><li>- Payroll Administration</li><li>- Logistics Operations</li></ul>	<ul style="list-style-type: none"><li>- Shared Service Centres</li></ul>
ITO	<ul style="list-style-type: none"><li>- Mobile Application Development</li><li>- Software Development</li><li>- E-Commerce</li><li>- Support</li></ul>	<ul style="list-style-type: none"><li>- Web Design</li><li>- Application Development</li><li>- Digital Marketing Campaigns</li><li>- Hosting</li></ul>

## 1.BPO

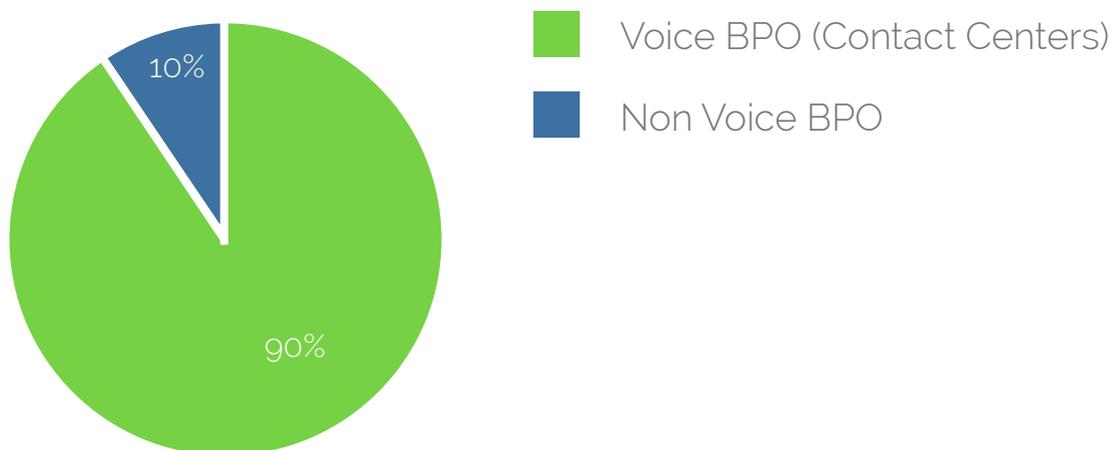
The following graphs show that the non-voice capabilities are still exploring the domestic industry, with potential to escalate. Furthermore, we show that the bilingual talent is important, and that the capabilities of Spanish talent is still unexploited.

Guatemala BPM Industry Insights: Tholons analysis based on interactions, intelligence and insights survey

### Employment Estimates in the BPO sector

% of employees by voice / non voice

100% = 34,000

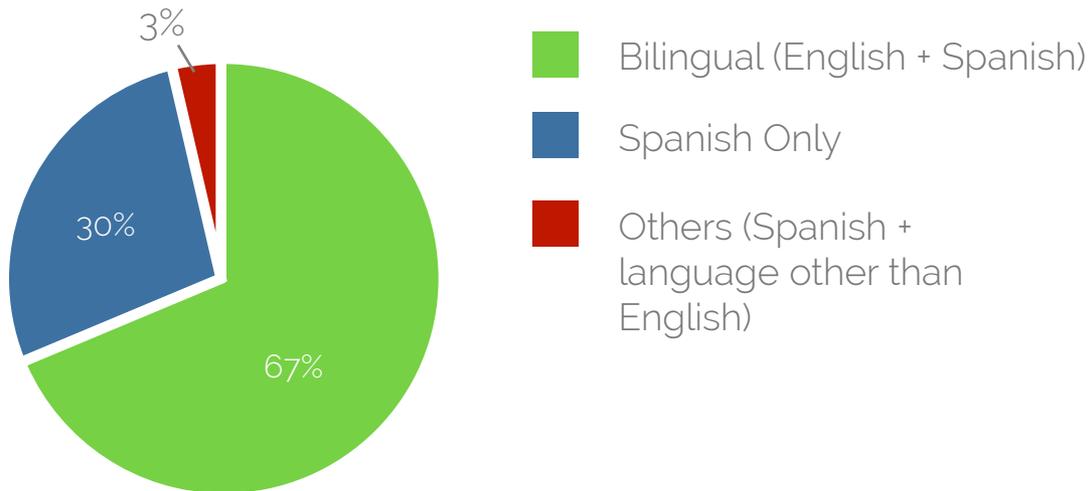


Source: Tholons Insights Survey

## Employment Estimates in the BPO sector

% of employees by language capacity (Voice)

100% = 34,000



- Non Voice BPM capabilities are still being explored by the industry, there is potential for scale up.
- While bilingual talent is premium, Spanish talent capabilities of the country are rather untapped.

Guatemala has the largest population in Central America with 15.1 million people, and counts an estimated 6 million people in its labor force. Compared to the rest of the region, Guatemala's significantly larger labor pool indicates potential human capital for outsourced services, such as BPO.

The country also shows an important growth rate in working age population. Since 2010, Guatemala shows a growth of around 30% in the working-age population, higher than the rest of Central American countries and way above the region indicator.

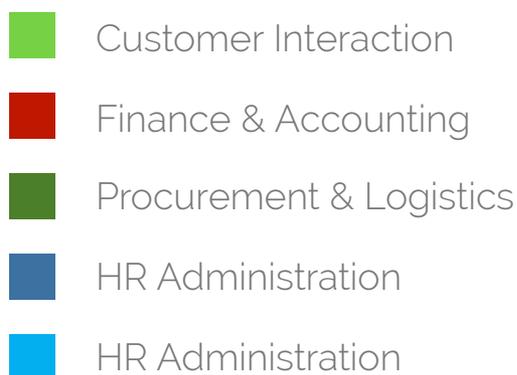
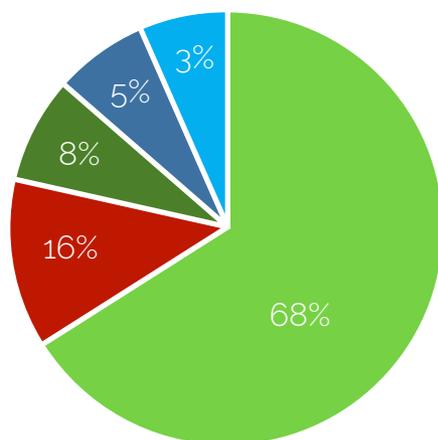
These figures not only reflect a vibrant, young economy for industries that require scalable workforces (such as services outsourcing), but also offers future labor force which can be utilized to deliver knowledge base professions as found in the BPO industry.

Source: Tholons, FDI Markets

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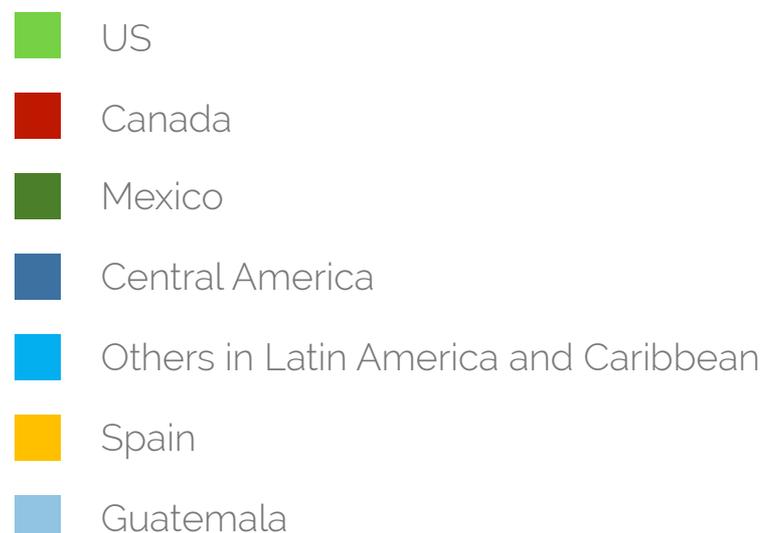
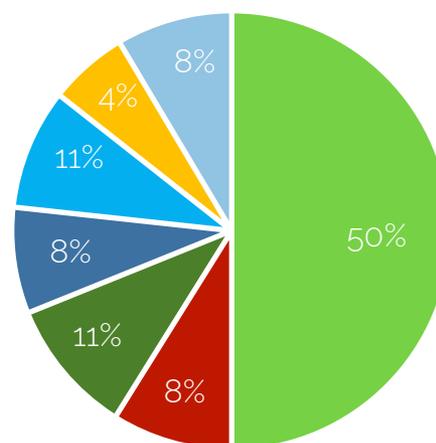
**Revenue estimates by Service lines in the BPO sector.**



Source: Tholons

It is also important to mention that the vast majority of this industry's services are delivered abroad. As estimated by Tholons, 85% of the BPO services are exported to important markets like the United States (which takes half of these exports), Mexico, Central America, Canada, Spain and several others in Latin American & the Caribbean.

**Geographic Coverage of BPO players in Guatemala**



# Some foreign companies that have trusted in Guatemala



# Relevant legal framework

## Labor Law and Minimum Wage

The Government of Guatemala establishes the monthly minimum wage. For 2014, the monthly minimum wage is set on Q.2,280.34 + Q.250.00 =Q.2,530.34 (approximately US\$325.00). In addition to this, the employer also needs to add the costs for: Social Security, training and recreation, as follows:

- IGSS (Guatemalan Social Security Institute): By law, employers are required to contribute to this institution with an amount equivalent to 10.67% of the monthly salary of their employees. Also, each employee contributes with 4.83% of their own monthly salary. IGSS is the institution in charge of offering Social Security (mainly health and retirement) to all workers in Guatemala.

- INTECAP (Technical Institute of Training and Productivity): Employers are required to contribute to this institution an amount equivalent to 1% of the monthly salary of their employees. This institution offers, throughout its more than 30 campuses and delegations, training and certified studies for the Guatemalan labor force in a wide range of areas and with the objective of raising the employment opportunities for Guatemalans and help boost the nation's competitiveness and development.

- IRTRA (Institution of Recreation for the Employees of the Private Sector in Guatemala): This institution receives an equivalent of 1% of the monthly salaries of the employees of all private companies in the country. IRTRA is in charge of providing recreation opportunities for the employees of the private companies in the country through different parks and recreational centers throughout the country, including the theme parks Xetulul and Xocomil, the biggest theme parks in the entire Central American region.

Other relevant information that the Labor Law establishes in Guatemala includes working shifts, schedules and restrictions, and employment benefits.

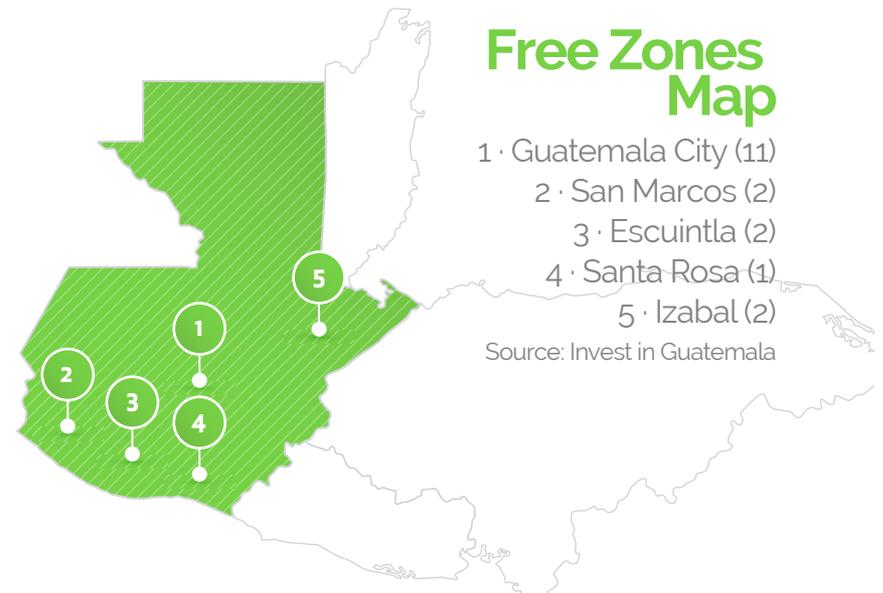
Working Hours	Schedule	Can't Exceed
Regular Shift	6:00 to 18:00	8 hours per day / 44 hours a week
Night Shift	18:00 to 6:00	6 hours per day / 36 hours a week
Over Time	One regular shift can be extended with a mutual agreement between the employer and the employee, up to 4 more hours per day. Each hour of "overtime" has to be paid 1.5 times the regular hour wage.	A regular shift cannot exceed (normal plus overtime) 12 hours per day.

Benefits	Description
Weekly Day Off	The employee has the right for one day off after 6 consecutive workdays. If the employee works during this day, those hours have to be paid as "overtime".
National Holidays	Guatemala has 13 national holidays, which are: January 1st, Holy Thursday, Good Friday, Holy Saturday, May 1st, June 30th, September 15th, October 20th, November 1st, December 24th (Half Day), December 25th, December 31st (Half Day), and the day of the local festivity (for Guatemala City is August 15th). If the employee works during these days, employer has to pay as overtime.
Vacations	Minimum of 15 days after one consecutive year of work. The employee acquires the right for vacations after 150 workdays.
Annual Bonus	Annual bonus equivalent to a monthly salary for employees that have worked during one consecutive year. This bonus has to be paid during the first 14 days of July.
Christmas Bonus	Annual bonus equivalent to a monthly salary for all employees that have worked for one consecutive year. This bonus has to be paid 50% during the first 15 days of December and the other 50% during the first 15 days of January.
Severance Payment	Only applicable in case of dismissal, when the employee had a contract of indefinite duration. The severance payment is equivalent to one monthly salary per year of work for the same employer. If the employee did not finish one consecutive year, the payment has to be proportional to the time worked for the employer.

# Key incentives for the sector

Guatemala has developed several incentives to make the country attractive for foreign investment. For investors interesting in Guatemala's food and beverages industry, laws like the "Free Trade Zones Law", "Promotion and Development of Exports and Drawback (Maquila) Activity Law", and "Free Trade Zone for Industry and Commerce Law" offer incentives for foreign companies, as they are exonerated of Rent Taxes, Value Added Taxes (VAT) and import taxes.

- "Free Trade Zones Law" (Decree 65-89): This law establishes that, by locating a company in one of the existing "Free Trade Zones", it can enjoy the following benefits: exonerated of the company's of customs duties and value added tax (VAT) for all machinery, equipment, furniture, tools and other materials destined mainly for the construction of infrastructure.



Also, this law offers the exemption of 100% of Rent Tax for up to 10 years, 5-year exoneration of Property Tax for all properties used in the "Free Trade Zone", and the exemption of all other taxes existing and to be created that could affect the equity and profits of the company, for this specific period of time.

There are currently in Guatemala a total of 18 "Free Trade Zones" located in Guatemala City (11), San Marcos (2), Escuintla (2), Santa Rosa (1) and Izabal (2).

- "Promotion and Development of Exports and Drawback (Maquila) Activity Law" (Decree 29-89): This law seeks to boost the exports of Guatemalan products and services by offering tax incentives to both national and foreign companies. Without any location requirements, it offers a temporary exoneration of customs duties, VAT, and the complete exoneration of Rent Taxes for up to 10 years and any ordinary and/or extraordinary export taxes for this period of time.

- "Free Zone for Industry and Commerce Law" (Decree 22-73): This law, commonly known in Guatemala as ZOLIC, for its acronym in Spanish) offers about the same incentives as the other laws in terms of tax exemptions. The main difference is that it seeks to develop big territories that would be dedicated to Industry and Commerce (a bigger concept of the "Free Trade Zones"). Nowadays, there is one ZOLIC located in the department of Izabal, near the Santo Tomás de Castilla port in the Caribbean Sea.



# Other Institutions that offer support for this sector are:



Superintendence of  
Telecommunications  
[www.sit.gob.gt](http://www.sit.gob.gt)



Guatemalan Chamber of  
Industry  
[www.industriagate.com](http://www.industriagate.com)



Contact Center & BPO Commission  
[www.contactcenter.com.gt](http://www.contactcenter.com.gt)



Guatemalan Exporters  
Association  
[www.export.com.gt](http://www.export.com.gt)



National Competitiveness  
Program  
[www.pronacom.org](http://www.pronacom.org)

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