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YEMEN MIGRATION - BLESSING AND DILEMMA

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Migration from Yemen is both a blessing and a dilemma. The Yemeni people and the government benefit richly from the migration but also suffer from the problems inherent in such a large transfer of labor. The first part of this paper contains a description of the problems juxtaposed to the benefits of emigration while the second part outlines policy views and policy problems raised by the migration question. Emigration is certainly the single most important engine of economic development and social change in Yemen and will likely continue to be in the foreseeable future.

Characteristics of Emigration

Yemenis have historically migrated for work. Large Yemeni communities extend from Djibouti to Dearborn and Sheffield to San Francisco. The recent repatriation of refugees from Vietnam and Ethiopia attests to the wide spread nature of Yemeni migration. In villages near Ibb, large percentages of the adult males are American citizens and the American Consulate in Sana regularly distributes social security checks to retired Yemeni/American citizens.

The best available population estimates comes from the Swiss Technical Cooperation Service's verification of the 1975 Yemeni census showing a resident population of 4,705,336 and an emigrant population of 331,649 in February, 1975.1/ The Swiss Report defines emigrants as "Yemeni nationals abroad who remain in close contact with their relatives in the Yemen, the majority of them being short-term absentee workers or otherwise called intermittent laborers abroad." The overwhelming number of these emigrants work in Saudi Arabia and they make up about 30% of the indigenous male work force (1975).

The flow of workers has increased dramatically since 1975 although there

1/ Swiss Technical Cooperation Service, Report No. 5: Data Bank of the Population Census 1975 (Zurich, May 1977).

is no data available concerning the present distribution or number of Yemeni emigrants. The best indicator of the increase has been the four fold rise in remittances over the two year period. Current estimates for 1977 range from 600-800,000 migrants abroad, however, the Saudis estimate that a million Yemeni work in the Kingdom. Despite the rotational nature of emigration, i.e. one son migrates while another remains at home, the age structure suggests that numbers abroad could sharply increase in the next decade.

The distribution of emigrants varies from district to district in Yemen with the highest rate of emigration coming from the southern provinces of Ibb, Taiz and Al Bayda. The Swiss report shows the following:

Emigration by Province 1975

Province	Emigrants	Emigration Density Per Sq Km	Emigration Rate
Sana	41,675	2.1	4.7
Taiz	72,289	7.2	7.8
Al Hodeida	35,052	2.6	4.7
Sadah	13,692	1.1	7.1
Hajjah	20,773	2.2	4.7
Al Mahweit	13,339	6.2	6.8
Marib	2,301	0.1	3.1
Dhmar	33,712	3.8	6.7
Ibb	73,385	11.4	8.2
Al Bayda	22,431	2.0	11.4
Total	331,649	2.5	6.5

High wages and the opportunity to save large amounts of money are the

obvious motivations for emigration to Saudi Arabia. It has been reported that the Kharafi Construction firm which is building a road to Marib went to Saudi Arabia to recruit Yemeni workers. They offered to match the workers' Saudi wages but were unable to hire anyone. The workers stated that it was not just the wage but the fact that they did not have to spend money on qat or on their families, thus saving more, that kept them in the Kingdom.

Impact of Emigration on the Economy

Remittances from emigrants are the single most important source of foreign exchange for Yemen. Workers sent home $225 million in 1974/75, the year of the census. Remittances increased 135% in 1975/76 to yield $526 million and increased another 100% in 1976/77 to an estimated $1.1 billion. This fantastic amount yields a per capita income of $205 from remittances alone. This, of course, comprises only remittances recorded by the Central Bank of Yemen. The amount of remittance income coming into the country in the form of cars, trucks, and consumer goods purchased in Saudi Arabia is unknown, but probably substantial. An additional portion of remittance income goes unreported since individuals residing in the north often transact their business in Saudi rials.

Yemen has had a surplus balance of payments account since the early seventies with remittances being large enough to make up for a continuing deficit balance of trade. Imports have grown from $289 million in 1974/75 to an estimated $650 million in 1976/77. Exports covered only 3% of the import bill last year and imports were equivalent to approximately one-third of GDP.

The private sector accounted for the vast majority of imports, financed mainly by remittance income, with foodstuffs accounting for about 45% of

these recorded imports. There is no way to determine the amount of goods smuggled through Sadah, Marib and the ports at Hokka and Mocha.

Customs duties are the main source of domestic revenues for the Yemen Government, even though there is no tax on imported foodstuffs. Customs revenues increased 75% between fiscal years 1975 and 1976 and are expected to increase another 100% between 1976 and 1977. Collections from customs will continue to grow as remittances increase.

Yemen's money supply is tied closely to the remittance from its workers abroad. The money supply grew 51% in 1974/75, the first year that reflected the oil price increase and the resultant economic boom in Saudi Arabia, and another 120% in 1975/76. The rate of growth is expected to slow to 73% in 1976/77. All increases in the money supply are backed by convertible foreign currencies, usually dollars, owned by the Central Bank. Over 80% of the growth of the money supply is accounted for by remittances and this leaves the government with control of only 20% of domestic liquidity.

The increase in the money supply was matched by only an 18% rise in real GDP for 1974/75 and an even smaller 3.6% rise in 1975/76 (due to a decline in agricultural production). The excess liquidity from remittances has induced a strong demand pull inflation accentuated by the lack of domestic production and investment opportunities. A cost of living index is available only for Sana and shows an average inflation rate of 17% from 1975 through the first quarter of 1977. It is based on a 1972 family budget survey and does not accurately reflect the current situation because of the low weights it assigns to housing and luxury goods. The IMF estimates the rate to be closer to 30% and the Central Bank estimates that it may be as high as 40-50%.

The huge influx of liquidity in the form of remittances has led to an increased monetization of the economy and to a hoarding of cash balances with over 65% of the money supply held outside the banking system, contrasted to only 10% outside the banking system in the U.S. and Europe. Money is remitted to family members in the rural areas who spend some of it on imports and hold the rest in cash since banks exist only in the larger cities. Speculation in land and real estate is rampant. Swanson found agricultural land prices as high as $70,000 an acre in 1976 2/ and some residential land in Sana has reportedly increased from $36,000 and acre in early 1975 to $410,000 an acre in mid-1977.

As a reflection of the increased monetization of the economy and the increasing role imports play, trade and finance are the fastest growing sectors of the economy with increases of 24% and 28% respectively between 1974/75 and 1975/76.

Construction starts doubled between 1975 and 1976 and have continued to grow rapidly. Wages and costs of construction materials have similarily skyrocketed due to the increased demand and the relatively undeveloped nature of the sector. Land and buildings seem to be one of the few local investment opportunities open for remittance income and on which guarantees a large profit. This situation is likely to continue until such time as large amounts of excess liquidity can be channeled into other sectors of the economy.

Construction, housing and infrastructure development are the key sectors

2/ Jon Swanson, Some Consequences of Emigration for Rural Economic Development in Yemen (Wayne State University, 1977), p. 12.

of the new Five Year Plan and all will be severely constrained by the decreasing labor availability due to emigration. The government is reported to be considering a law which will allow the importation of labor to Yemen for specific construction projects.

Impacts of Emigration on Agriculture

The emigration of labor and resultant remittances has effected agriculture more deeply than other sectors, since it is the rural sector which supplies most of the emigrants. With a minimum of 30% of the male labor force abroad (1975), emigration has led to a decrease in the available labor for agricultural work and apparently has led to an abandoment of marginal lands and an overall decrease in production. This decline in production is not an established fact, but is verified by observation, micro-studies 3/ and is the predictable result of a decline in agricultural labor under essentially static technology. Rainfall variation may serve to mask this decline for sometime.

The abandonment of marginal terraces, which must be regularly maintained, is leading to the erosion of terrace walls which could, in turn, eventually result in serious environmental degradation.

Emigration has bid up the price of the remaining labor. Daily agricultural wages have increased four fold over the last two years from $1 to $2 a day to $6 to $8 a day, and higher. In addition to rising production costs, farmers are facing stiff competition from imported foodstuffs. Cereals account for 90% of all crop acreage and local production of cereals was one million tons in 1975/76 while cereal imports were 200 thousand tons. The

3/ See the Swanson Report, for example.

imported cereals are composed mainly of wheat and rice which further exacerbates the farmer's problems by accelerating a change in consumer tastes away from the traditional staples of sorghum and millet. The lack of duty on imported food adds to the farmer's diminished competitive position.

There has been some increase in mechanization, primarily pumps and tractors, as a response to the labor shortage and the increased purchasing power from remittances, but in general there are few investment opportunities available which are technologically appropriate for Yemen. Many of the tractors which have been imported are too large for local needs and are used to plough too deep or otherwise used improperly. This mechanization may have led to some increases in the productivity of labor, but is not sufficient to offset production declines. The true yield-increasing technology, such as better varieties and fertilizers, has yet to make an impact.

Some farmers are responding to the lack of labor and wage inflation by shifting to higher value crops such as grapes, qat and vegetables for the urban market. Areas which have traditionally grown these crops tend to have lower emigration rates than areas which grow subsistance crops.

In an irrigated agricultural area east of Mocha, farmers, with the help of a private French development team, have introduced and expanded production of tomatoes and melons. The harvest in 1976 was abundant and lucrative and a large 1977 crop was planted to be marketed in Sana. The area suffered an outmigration of over 200 laborers following the 1976 harvest and a large portion of the 1977 crop had to be abandoned in the fields due to a lack of labor. An area north of this village experienced a similar phenomenon. Thus, the labor shortage has to be taken into consideration even in areas producing higher value cash crops such as tomatoes.

Social Change Resulting from Emigration

The increased migration of rural males to Saudi Arabia has dramatically changed the role of women in the agricultural sector. In addition to their usual chores of cooking, water carrying, child raising, gathering of fuel and fodder and care of the animals, women are participating in traditionally male dominated agricultural activities such as plowing, planting and harvesting. Women in the Turba area are earning between 15-30 rials a day for agricultural work, far less than their male counterparts, and women in the Mahweit area are earning 30 rials a day, three-fourths the wage rate for men. A more striking example of this changing role is evidenced in the southern part of the country near Radah where emigration, predominately to the U.S., has existed for over 20 years. There is evidence that women are not only serving as daily agricultural laborers but are assuming control of family farms where the head of household is absent. They are farm managers and are making investment decisions, extending beyond the agricultural sector. They are participating as equal partners in ventures such as home electrification, group well drilling and cattle investment.

These changes indicate that Yemen may be starting to utilize the other half of its labor force-namely women. As emigration to the oil states continues, the economic role of women in Yemeni society should develop into an increasingly important one.

With the return of migrants from abroad, the static view of society which is usually prevelant in an isolated subsistance agricultural economy such as Yemen has begun to dissolve. Yemeni who have worked abroad have been exposed to a much more modern culture than they find in their villages. The projects they work on in Saudi are for the most part industrial rather

than agricultural, they are working in capital intensive endeavors rather than labor intensive projects and the projects are usually financed and built for the public sector rather than the private. Returnees are beginning to make demands for the governmental services which they see being supplied in the Kingdom. In addition, emigration is playing a part in weakening the role of the traditional social structure, i.e., the tribes and the shaykhs.

It is assumed that most emigrants are unskilled laborers but, a surprising number are coming back with skills such as carpentry, welding and auto mechanics. Financed by their savings from abroad, many are opening small businesses in their respective fields. Remittance income has even financed private electric companies in Mahweit and Ibb.

Increased emigration coincides with an increase in growth of the urban centers, although a cause and effect relationship cannot be delineated. The Haskins and Sells Socio-Economic Study of Taiz showed that 15% of the adult population had resided in Taiz for less than 2 years and that the city was growing at a rate of 7-12% a year. Similar situations exist in the other main cities.

Policy Considerations

The impact of emigration on public finances in Yemen means that the government in Sana is not disposed to cut emigration greatly. It would be a difficult practical problem in any case, since the YARG does not control the northern or eastern borders of Yemen and the Saudis would certainly mount strong political objections to any unilateral effort to cut emigration. It can be argued, in fact, that the subsidies Saudis pay (albeit on a decreasing basis) to Yemeni tribes in the north and east are not just to maintain a buffer between themselves and the once hostile Sana regime, but also to help

guarantee a free and unrestricted labor flow.

The Yemeni Government is inevitably drawn into sharp internal discussions about emigration and there seem to be several distinct views.

First, some Yemeni feel that the government should take a more active role in protecting the welfare of Yemeni workers in Saudi Arabia. They feel that the workers should be receiving job benefits such as accident insurance, sick leave, pensions and perhaps a degree of formal bargaining power and some job security. The Yemeni in Saudi Arabia already have certain advantages over other workers in that they can enter without passports, visas or contracts which are used by the Saudis to tie all other foreign employees to a particular employer and place of employment. Yemeni can, and do, quit one job and go to another which implicitly gives them some bargaining power.

Yemen offers the Saudis the best available source of laborers; Yemenis are Arab brothers, they speak the same language, they have fewer adjustment problems than other workers and they are highly motivated. The Yemeni Government would like to see the Saudi Labor and Social Insurance Laws applied to Yemeni and they also feel Yemenis should be allowed to buy houses, open shops and acquire the status of residents as they can in the U.S. or other countries. The Saudis have no intention of legally allowing this as they are already alarmed at the number of Yemenis in the Kingdom. Jedda is the largest Yemeni city in the world, perhaps 50% more populous than Sana.

Some in the Yemen government would also like to get more from the Saudis in the way of training for Yemeni workers. Workers are currently restricted by Saudi procedures to jobs in the unskilled sector and the Government would like to press the Saudis to allow Yemeni to work in skilled and semi-skilled

jobs. This approach would require that some training be provided in Saudi Arabia. Currently the Saudis are moving very tentatively in this direction by allowing some Yemeni to enroll in high schools and vocational training centers. This is on an ad hoc basis, however, and Yemenis sometimes have trouble getting diplomas and certificates upon course completion.

A third view in the Yemen government is to repatriate as many workers as possible in the near future. Yemen needs workers to implement its own Five Year Plan and to ease wage inflation and skill shortages. The country is receiving more remittances that the economy can absorb. This approach has actually led to restriction of passport and identification card issuance although the effort failed since Saudi Arabia doesn't require passports for Yemeni workers and the YARG does not control the northern and eastern borders.

A final view is to do nothing. This view is on the ascendancy and it is argued that alternate approaches would decrease remittances and create political problems with Saudi Arabia. Moreover, Yemen uses its grievances over the labor problem when negotiating with Saudis for aid. They use it only to set the stage for Saudi concessions on funding projects. It is apparently an effective bargaining tool, used as a loss leader.

Possible Solutions

The advantages of cooperation between Yemen and Saudi Arabia seem obvious. The Kingdom needs workers and Yemen can supply them. Yemen in turn receives large remittance inflows but also needs repatriation of labor for its own development needs. Currently, Yemen is competing with Saudi Arabia for its own workers.

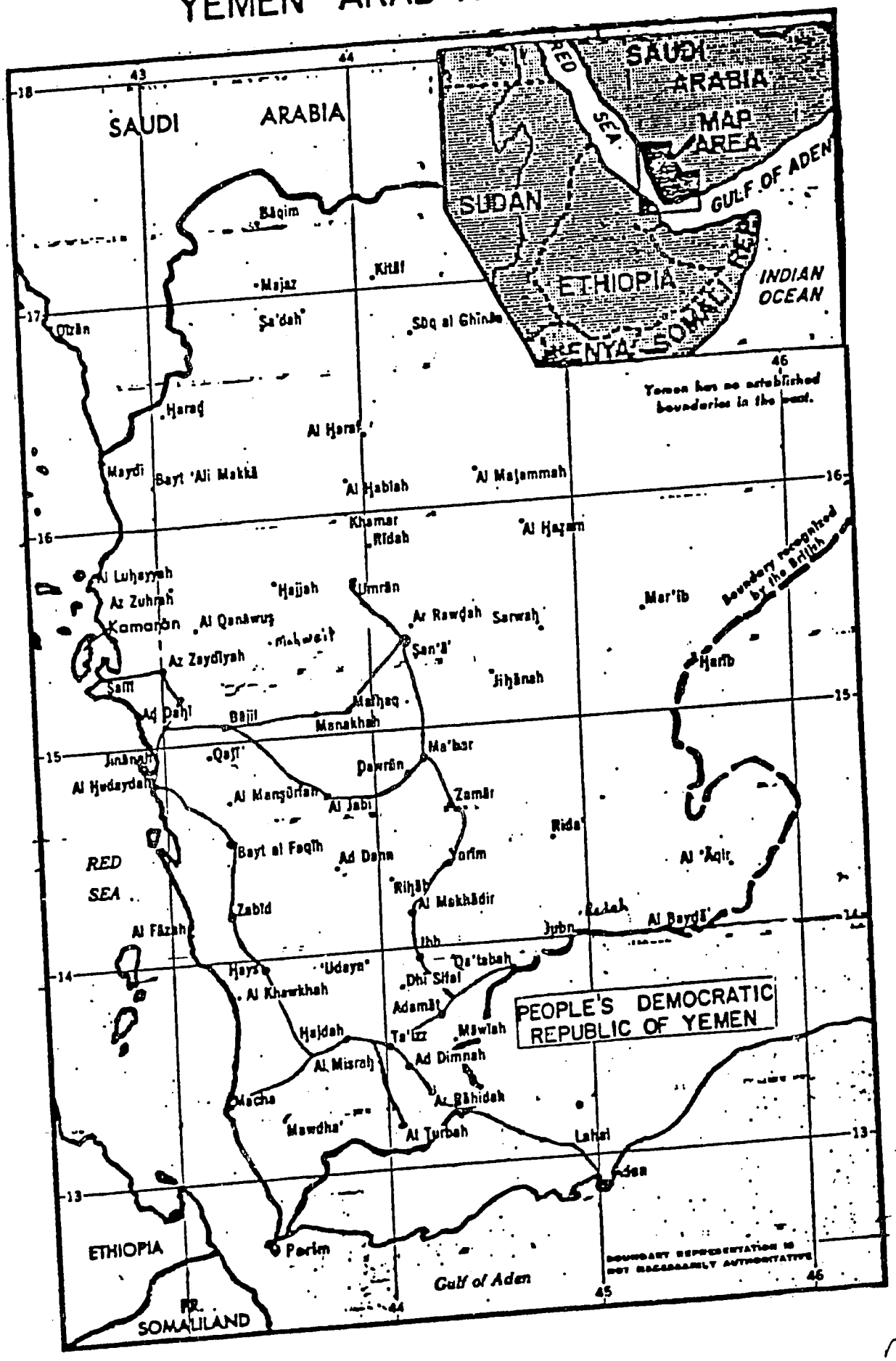
As shown previously, Yemen has had trouble taking unilateral actions to

control emigration. A possible alternate solution would be a labor exchange agreement between Yemen and Saudi Arabia. The objective of such a program would be to increase the productivity of Yemeni workers while decreasing their numbers. The governments would negotiate the numbers and kinds of workers required. Workers would go to Saudi to fill specific contracts and would return when the job was done. Saudi would in turn provide on-the-job training for the workers as well as increased opportunities to attend vocational schools so that the workers return to Yemen better trained than when they left. The flow of workers would be controlled by the issuance of special Saudi visas which would expire with the completion of a contract. Yemen would thus be guaranteed a continued supply of returnees to work on its own development projects.

The Yemen government would thus have increased control over emigration and could theoretically better distribute the benefits of remittances throughout the country by regulating the numbers of emigrants from each district.

A final solution is to continue as is and allow market forces to determine the rate of emigration, job placement and distribution of remittances. This is apparently the course Yemen is following at present and it has certain advantages. There are no administrative costs or procedures and fewer political problems.

YEMEN ARAB REPUBLIC



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