

## **From informality to decent work in Yemen** **Paper for the ILO by Mansour Omeira, March 2013**

### **I. Context<sup>1</sup>**

A major challenge for Yemen at the current historical juncture is to set the country onto a sustainable development path that raises the standards of living of the population and fosters social cohesion. The uprising in Yemen, as in other Arab countries, has highlighted the need for an alternative development paradigm to break the vicious cycle of crises that have pushed increasing numbers into socio-economic insecurity. This policy brief focuses on one aspect of socio-economic insecurity in Yemen: the informal economy. It elaborates policy priorities to advance national capacity for socio-economic development in line with the aspirations of women and men, particularly the youth who have taken collective action in support of freedom, dignity, and social justice.<sup>2</sup>

### **II. Employment in the informal sector, informal employment, and informal work**

The Central Statistical Organization (CSO) of Yemen has defined employment in the informal sector as including employment taking place outside the premises of establishments. Based on the Census of 2004, women were found to constitute less than 5 per cent of workers in the informal sector (Government of Yemen 2007). Within the informal sector, most women worked from home, whereas most men worked outside home. This national definition was a step forward in identifying different groups of informal workers, such as home workers and street vendors. The published estimates of employment in the informal sector, however, did not account for employment in farms and pastures and unspecified places of work, which together amounted to 49 per cent of women's employment and 29 per cent of men's in 2004.

In contrast with this national definition, the international definition of the informal sector refers to the unincorporated nature of the enterprise, its employment size, and the non-registration of the enterprise or its employees under specific forms of national legislation (ILO, 2003). Using these criteria, nearly all private establishments employing less than 5 workers, amounting to at least 94 per cent of total establishments in Yemen according to the Labour Demand Survey of 2002-2003, are part of the informal sector.<sup>3</sup> The informal sector in Yemen is thus largely synonymous with micro- and small enterprises in the private sector. Despite its size, a World

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<sup>1</sup> This policy brief is based on contributions made in the context of the ILO/CAWTAR regional initiative on Gender Equality and Workers' Rights in the Informal Economy of Arab States by Fathia Bahran, Abed Ellatif Shibani, Abed Elmajid Elfahd, and Mansour Omeira.

<sup>2</sup> Alwazir (2012) discusses prospects for the fulfillment of youth aspirations.

<sup>3</sup> Establishments organized as individual ownership, ordinary partnership, or joint ventures and have less than 5 workers are counted as informal (Husmanns, 2005).

Bank (2010) survey found that the practices of the informal sector were perceived as the major constraint from the business environment in Yemen by only 2 per cent of enterprises, significantly less than electricity (32 per cent) and corruption (27 per cent).

The institutional approach to informality in Yemen can benefit from the insights of the activity-based approach. Using lack of social protection coverage as the criterion for informality, it is possible to study the gender differences in the structure of employment in 2004 (Table 1), which is a background indicator for Millennium Development Goal #3 (Promote Gender Equality and Empower Women). It makes clear that there is *too much* self-employment in Yemen, more than 38 per cent of total employment for women and men. Widespread self-employment is a concern because countries typically grow richer as more persons move from self-employment to wage employment (Sender 2003). About 93 per cent of self-employment in Yemen is informal, mainly because labour and social legislation is based on the model of a male breadwinner in protected full-time employment, which is far from national realities. In fact, even in wage employment the majority of jobs are informal: 59 per cent among men and 49 per cent among women. A main reason is that more than a third of wage employment jobs are casual, seasonal, or temporary. Agricultural employment represents a larger share of women's employment (35 per cent) than men's (29 per cent), and is essentially informal. Despite that, informality concerns a larger share of men's employment than women's.

**Table 1. Gender differences in the structure of employment in Yemen, 2004**

		<b>Women</b>	<b>Men</b>
0	Share in total employment (Women + Men = 100.0 %)	8.8%	91.2%
<b>1</b>	<b>Total employment</b>	100.0%	100.0%
<b>2</b>	<b>Agricultural employment</b>	34.9%	29.2%
2.1	Own-account workers and employers	8.3%	14.6%
2.2	Contributing family workers (informal)	20.8%	5.4%
2.3	Employees	5.8%	9.1%
2.3.1	Formal	0.3%	0.3%
2.3.2	Informal	5.5%	8.8%
<b>3</b>	<b>Non-agricultural employment</b>	65.1%	70.8%
3.1	Own-account workers and employers	6.3%	15.4%
3.1.1	Formal	0.2%	0.5%
3.1.2	Informal	6.0%	14.9%
3.2	Contributing family workers (informal)	2.8%	2.1%
3.3	Non-domestic employees	55.9%	53.3%
3.3.1	Formal	31.5%	25.4%
3.3.2	Informal	24.4%	27.9%
3.4	Domestic employees	0.2%	0.0%
3.4.1	Formal	0.0%	0.0%
3.4.2	Informal	0.2%	0.0%
3.I	<b>Formal non-agricultural employment (3.1.1 + 3.3.1 + 3.4.1)</b>	31.7%	25.9%
3.II	<b>Informal non-agricultural employment (3.1.2 + 3.2 + 3.3.2 + 3.4.2)</b>	33.4%	44.9%

Source: Based on Bahran et al. 2007 and CSO 2007.

This statistical picture, however, largely underestimates the size of informal employment, for two main reasons. First, additional criteria can be introduced to consider that a job is formal, such as the benefits it provides for persons in wage employment (Husmanns 2005). Using the three criteria of coverage in health care, pension, and paid leave as reported in the Household Budget Survey of 2005-2006, formal wage employment drops to less than 9 per cent of wage employment, and to less than 5 per cent of total employment. Second, the official statistics exclude the majority of women's employment. The methodology adopted in the Census of 2004 led to a downward revision of the size of women's employment in 1994 and 1999 to about a quarter of previous values.

In addition to the invisibility of categories of informal workers facing multiple discrimination such as domestic workers (de Regt 2006), methodological issues have contributed to the under-measurement of women's employment more generally. For example, activities such as fetching water for the home may not be recognized as economic, despite their importance in a country where two-thirds of the population lives in rural areas and three-quarters of rural households lack connection to a water network. The inclusion of an activity list can dramatically increase the measured size of women's employment, as has been shown in the Egyptian context (Langsten and Salem 2008).

A more comprehensive picture takes into account the work that persons perform even when it is not counted as employment, particularly unpaid household service, which includes unpaid care work and unpaid housework. The recognition that persons reported as home-makers are workers leads to a different statistical picture: women become the majority of working persons instead of less than 10 per cent, since the majority of women are reported as home-makers, whereas it is the category with the fewest men. The family responsibilities of home-makers impede their access to employment, typically leaving them without an independent income and with access to social protection mainly as dependants. Although Yemen was the first Arab State to ratify the Workers with Family Responsibilities Convention, 1981 (No. 156), this vital issue has yet to receive sufficient attention in national policy.

### **III. The need for an alternative development paradigm**

The inability of the Yemeni economy to generate adequate employment opportunities and overcome poverty, inequality, and insecurity is a major concern on the national agenda (Government of Yemen 2012). It is the outcome of socio-economic policies that were designed and implemented without the participation of broad sections of society, and were found to be “a complete failure” (Al-Asaly 2002). These policies were facilitated by restrictions on the right of workers to organize and engage in collective bargaining, leading to increasing informality. In the absence of representative institutions, informality further undermined solidarity among workers and exacerbated clientelism.

Against this trend, the broad self-organizing initiatives during the uprising brought forth the democratic basis of inclusive and equitable social dialogue, which can reshape priorities and

address the root causes of informality. Initiatives to monitor the alignment of policies and projects with the principles of social justice can help elaborate alternatives. The experience of other countries such as India and Ecuador in setting up 'independent people's tribunals' and using 'odious debt theory' can provide important lessons. Yemen can draw inspiration from such initiatives to review its previous socio-economic performance and to establish a basis of democracy, transparency, and accountability, which can widen the national policy space and diversify available options beyond the failed policies of the past. In contrast, the undermining of democratic organizing and the exclusion of the most affected groups from the policy process may lead to shielding previous policies and the related corrupt practices from accountability, thus enabling their renewal in the future.

The prevalence of informal employment reflects the low bargaining power of workers, who are faced with the necessity of foregoing basic job entitlements to secure an income through their work. Even before the deteriorating employment situation in recent times (Government of Yemen 2012), as declining employment and wages made the male sole breadwinner model unsustainable the unemployment rate in Yemen nearly doubled between 1994 and 2004. It rose for women from 4 per cent to 37 per cent, and for men from 9 per cent to 13 per cent, with even higher unemployment rates among youth, particularly young women. Persistently scarce employment opportunities limit the meaningfulness of the unemployment rate. In 2004, about 57 per cent of the Yemeni population (88 per cent of women and 27 per cent of men) were neither in employment, nor in education or training.

A range of policy choices are available to respond to the insufficiency and inadequacy of employment opportunities in Yemen. One option is the promotion of Yemenis' employment abroad to benefit from the remittances that migrant workers send back home; in 2005, the value of cash transfers from abroad was more than double the value of transfers from all social security schemes in Yemen, which underlines the significance of migrant workers' contributions. Such a policy, however, increases the vulnerability of the economy and is unsustainable, as evidenced by the experience of Yemen in the early 1990s (ILO 1991). Moreover, in the long-run, a country's reliance on the emigration of its workers, particularly the more skilled, may lock it into poverty (Reinert 2006).

A more promising option is the promotion of more and better employment opportunities in Yemen, in line with the Employment Policy Convention, 1964 (No. 122), which Yemen ratified in 1989. This choice would require reconfiguring socio-economic policies, particularly at the macroeconomic level, to become subordinated to the national aim of decent work for all. As the experience of Yemen illustrates, relegating decent work to a piece-meal approach at the microeconomic level can seldom realize the transformation necessary to set the country on an alternative development path. Social problems cannot be solved solely through schemes putting the responsibility on individuals, like micro-credit and individual entrepreneurship promotion. Moreover, the effectiveness of changes in institutions, including legislation, depends on parallel changes in socio-economic structures.

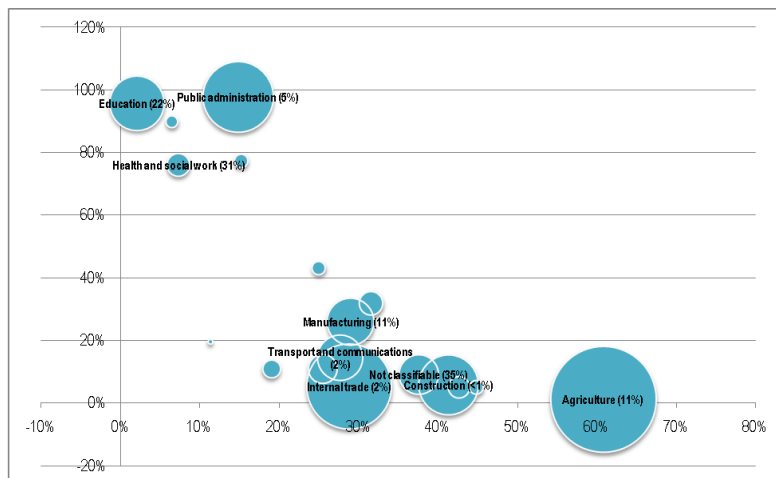
A case in point is child labour, which affects 21 per cent of children in Yemen (Dayıoğlu, 2012). It is to a large extent rooted in the inability of parents to secure the livelihoods of their families, so the elimination of its worst forms requires improving their standards of living for legal changes to be effective. Food insecurity reached about half the population in 2011 after a 40 per cent increase from 2009, with a more severe situation among agricultural households (WFP 2012). With a third of adults, 67 per cent of working boys, and 55 per cent of working girls engaged in informal agricultural work (Dayıoğlu, 2012), cooperatives have a strong potential for improving agricultural and rural livelihoods, particularly among women (ILO 2009a), within an alternative development paradigm.

Food insecurity, informality, and inequality, were exacerbated by a policy agenda prioritizing fiscal austerity, privatization, and economic liberalization at the expense of the pillars of decent work. The promotion of this agenda depended on the curtailing of workers' organizing and contributed to it (ITUC 2012), often as a stated incentive for the private sector. As agriculture, low-value added services, and elementary occupations generated the bulk of employment in conditions of informality, manufacturing value added represented about 5 per cent of GDP, one of the lowest shares in the world (UNIDO 2011). The restructuring of social protection away from universal provision, as exemplified by the removal of food subsidies and reduction in petroleum subsidies, exacerbated poverty (World Bank 2006). This was compounded by regressive redistribution of land and of access to water and the favouring of cash crops such as qat over food crops (Akram-Lodhi, 2006). The implemented policy agenda thus undermined the potential for economic diversification, increased the reliance on oil for exports and public revenues, and exacerbated the dependence on remittances and foreign aid.

The inequality deepened by this policy agenda spans multiple dimensions. For example, the three economic sectors with the highest rates of formal workers also have the lowest rates of illiterate workers (Figure 1): they are public administration, defence, and compulsory social security; education; and health and social work. Public expenditure has prioritized the first one as a pillar of security, while the other two, which are more feminized, have suffered. Education is the second largest employer of women, mainly in formal conditions, while their largest employer, agriculture, has the highest rate of informality and of illiteracy, which also reflects urban-rural inequality.

While technical and vocational education and training has proven particularly valuable for women to engage in non-traditional occupations (ILO 2009b), their main sectors of employment remain related to their traditional role in the household. Since 74 per cent of the estimated 4.8 million illiterates in Yemen are women (UNESCO 2012), and the majority of non-employment women are homemakers, an opportunity exists for improving women's employment and literacy through public investment in education, health, and social care. Such investment would have to be part of a coherent set of policies promoting decent work for all women and men.

**Figure 1: Social protection, illiteracy, and women's employment**



Source: Based on Bahran et al. 2007 and CSO 2007. Note: x-axis: illiteracy rate; y-axis: social protection rate; bubble size: employment size; number in parentheses: women's share

## V. Toward full employment and decent work in Yemen

The transition of Yemen from the prevalence of non-employment and informality towards a path of full employment and decent work will need a transformation of socio-economic thought, policies, and institutions, with a focus on three priority areas:

1. Enabling the independent self-organizing of all workers in membership-based organizations such as trade unions and cooperatives, and facilitating networking among them. Their organizational capacity can be developed through focusing on areas like socio-economic and legal literacy for trade unions, as well as cooperative management and agricultural extension for cooperatives, with particular attention to gender, youth and informality issues. Such capacity is a main enabling condition for inclusive and equitable social dialogue, as well as for the advancement of full employment and food sovereignty.
2. Prioritizing the universal provision of basic social security guarantees, including access to essential health care and to basic income security. Universal provision enshrines social security as a basic human right, not a privilege of clientelism. It overcomes the political and administrative burdens of targeting, and is particularly suited for Yemen, where non-employment and informality are widespread. Such provision is affordable even for low-income countries (Behrendt and Hagemeyer 2009), and is in line with the Social Protection Floors Recommendation, 2012 (No. 202). It would entail changes in spending priorities according to a comprehensive approach to human security, beyond the narrow focus on military security.
3. Increasing the productive capacity of the country through a sustainable development policy centred around full employment. A coherent set of policies taking into account all forms of work and aiming for wage-led growth and greater equality would help create virtuous cycles benefiting workers, employers, and the government. Technological and skill upgrading in

agriculture, industry, and services will require large scale public expenditure on social services, physical infrastructure, and renewable resources, which will crowd-in the private sector. The democratic credibility of the social dialogue process should help widen the policy and fiscal space of Yemen in coordination with its economic partners, which have a long-term interest in the country's sustainable development, beyond their short-term interests as creditors and trade partners.

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