

Money Earned in U.S. Pushes Up Prices in El Salvador

Subsidies Help Keep Many From Extreme Poverty
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LA UNION, El Salvador -- It is hard to overstate how much this tiny Central American nation has benefited from the estimated \$2.8 billion that Salvadoran immigrants in the United States send back to their relatives each year.

Without it, the portion of families who live in extreme poverty would jump from 6 percent to 37 percent, according to a recent study by the United Nations Development Program.

Yet economists have become increasingly concerned that the flood of U.S. dollars may also be driving up the cost of living in El Salvador, forcing ever-larger numbers of Salvadorans to leave for the United States -- where their presence, along with that of other illegal immigrants, has already triggered a fierce debate.

"You've basically got this vicious circle going on, and it's only going to get worse," said Katharine Andrade-Eekhoff, one of the El Salvador-based authors of the U.N. study.

Estimates of the overall Salvadoran population in the United States, including legal immigrants, vary from 1 million to more than double that. Salvadorans are the largest immigrant group in the Washington area.

Part of the problem driving the migration wave, noted Andrade-Eekhoff, is the fact that most families need the money they get from their relatives in the United States for necessities such as food, clothing and housing. That leaves little for long-term investments that could improve El Salvador's economy.

With more dollars chasing limited commodities such as land and housing, prices are rising. And because El Salvador imports most of its goods from nations that can make them less expensively, the consumption boom isn't creating an increase in jobs. Meanwhile, the ready supply of desperate workers from the even poorer Central American countries of Nicaragua and Honduras keeps down wages for existing low-skill jobs -- making it difficult for the Salvadorans who hold them to make ends meet.

The impact of this dynamic is visible across this eastern stretch of the country, from which much of the Salvadoran migration to the United States has originated.

On small, family-run dairy farms that have dotted the area for generations, most ranch hands tending the cows these days are Hondurans and Nicaraguans.

So are the laborers who scrape salt crystals from the bottom of pools hugging the Pacific coastline, and the construction workers building pricey housing developments on the reddish earth a few miles inland.

"You can't find Salvadorans to do this kind of work anymore," said Jose Acosta, the supervisor at a construction site where almost all of the 35 men toiling under a harsh sun on a recent morning were from Nicaragua.

At best, the workers earn \$250 a month, often far less, he said. "And these days, you need at least \$300 to \$400 just to survive."

To buy one of the pastel townhouses the crew was building, you would need far more.

The prices, ranging from \$30,900 to \$93,300, were as groundbreaking for this area as the American-style amenities: glass-paned windows, breakfast nooks and elaborate lighting fixtures.

Yet a map in the sales office indicated that there was no shortage of buyers. It was studded with the red pushpins that salesman Jose Miguel Hernandez uses to mark sold units. Hernandez said he had sold even more than the map indicated. "It's just that I ran out of red pins," he said with a grin.

Outside the office, the "For Rent" signs in the windows of several houses hinted at the nature of Hernandez's clientele. About 75 percent of the buyers, he estimated, are Salvadorans based in the United States -- divided more or less evenly among the New York, Boston and Washington areas.

Eventually they hope to return. For now, many are renting their new houses to professionals from Spain, Belgium and Japan who are working on a multimillion-dollar aid project to upgrade the seaport in nearby Cutuco.

In one of the development's few houses occupied by a Salvadoran, Gloria Alvarez sat amid the gleaming white tiles of her living room, looking oddly disconsolate for a woman who had just moved into a home fancier than any she had known as a child.

The reason she was able to afford the place is that her husband lives in Los Angeles, where he mans the front desk at a storage facility, Alvarez said. She was desperate to join him, but also loath to leave their two young children behind. And if she somehow managed to smuggle them into the United States, Alvarez, a 37-year-old teacher, figured she would have to take a menial job that pays less than the cost of child care. Also, given housing prices in Los Angeles, the family would almost certainly have to settle in cramped, unattractive quarters.

"Last week, my husband came for a visit to see the new house, and he said to me, 'My love, we are living our dream!' " Alvarez recounted, dabbing tears from her eyes. "But this is not my dream. My dream was to live my life with my husband."

It may be a long time coming. Already, her husband had tried moving back to El Salvador and starting a business -- first a restaurant, then a small shrimp processing plant. Both failed.

"Finally he said, 'I have to go back to the United States, honey. There is no work for me here,' " Alvarez said.

A few feet from Alvarez's house, workers laying the foundations for the next block of homes gave similar reasons for leaving Nicaragua.

Back in his home town city of Ocotal, said Harbin Gomez, he was earning \$3 a day as a bricklayer's assistant, and the work was less steady. Here in El Salvador he earns \$5.72 - - almost double.

With his wife and 9-year-old daughter still living in Nicaragua and paying Nicaraguan prices for food and clothing, Gomez, 45, said the extra money goes even further.

But he also feels the pinch of higher living costs in El Salvador. Even after splitting the concrete-block hut he rents with three other workers, his bill comes to \$15 a month, he noted. By the time he has covered the rest of his expenses, he is able to send his family only \$35 to \$50.

"That's a little better than in Nicaragua," he said with a sigh. "But frankly, not much."