

Microbusiness Workers and the Crisis of Representation in the Andes

Summary

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Despite the introduction of increasingly open electoral systems over the past two decades, Latin American citizens, paradoxically, are facing a crisis of representation. The neoliberal economic reforms and “flexibilization” of the workforce¹ that accompanied transitions to democracy have left mediating institutions — including labor-based parties, unions, and state-sponsored programs — severely circumscribed. At the same time, many workers have turned to informal entrepreneurship in order to provide themselves with a sufficient income, as economic crisis persists in the region. As a result, their opportunities for securing adequate political representation are less promising than they were when unions offered a stable and effective channel for making demands.

In Peru and Venezuela, these conditions are particularly acute. Both countries experienced severe economic crisis in the late 1980s. Peruvians suffered one of the worst hyperinflationary disasters in world history during this period, as annual variation in the consumer price index rose from 114.5% in 1987 to a whopping 7,649.7% in 1990² and the annual rate of per capita GDP growth plummeted to -13.4% in 1989.³ In Venezuela, conditions of rising external debt, inflation, balance of payments deficits, and decreasing foreign reserve levels created similarly miserable economic circumstances. Both countries responded to these crises with dramatic neoliberal reforms between 1988 and

¹ For a review of flexibilization measures in Latin America, see María Lorena Cook, “Toward Flexible Industrial Relations? Neo-liberalism, Democracy, and Labor Reform in Latin America,” *Industrial Relations* 37, no. 3 (July 1998): 311-336. Cook defines flexible laws as “those which deregulate the labor market, lower employer costs, and generally grant employers greater maneuverability in contracting and deploying the labor force in response to market pressures” (p. 317).

² Richard Webb and Graciela Fernández Baca, *Perú en Números* (Lima: Cuanto, 1995).

³ Efraín González de Olarte, *El Neoliberalismo a la Peruana: Economía Política del Ajuste Estructural, 1990-1997* (Lima: Instituto de Estudios Peruanos, 1998): 14.

1993, and in both countries, the number of workers relying on self-employment, especially through informal means, rose dramatically thereafter. In the meantime, the traditional party system in both countries collapsed in the face of these events.

Without stable jobs and stable channels of access to the political system, scores of workers in these two countries have filled the streets. According to the Peruvian National Statistical Agency, INEI, individuals who classify themselves as “independent workers” — that is, who generate their own work — form 35.7% of Peru’s urban economically active population, and over 63% of the economically active population in Lima works in establishments with fewer than five employees.⁴ Similarly, Venezuela’s OCEI reports that the informal sector went from roughly 39% of the economically active population in 1989 to 50% of the economically active population by 1998.⁵

Contrary to theoretical expectations about these workers, many of them — in both Lima and Caracas — have formed associations and pursued various means of collective action and political participation to press their demands in the face of institutional collapse. However, despite the enormous electoral potential that these workers possess in both countries, their success in accessing the political system has varied, both over time and across countries. Why is this the case?

To answer that question, this paper offers a window into the political world of street vending in each country. The empirical basis of the paper is a comparison of vendor politics in Lima over two time periods, 1980-1990 and 1990-2000. Research based on semi-structured interviews, archives, and secondary sources shows that political organization among street vendors, and public policy toward them, created an unprecedented opportunity for more institutionalized participation in the political system in the 1980s.⁶ Those developments had reversed by the early 1990s, presenting an

⁴ INEI, *Perú: Características del Empleo Urbano* (Lima: INEI, 2000).

⁵ OCEI, *Encuesta de Hogares. El Universal* (October 31, 1998) also cites a CIDEAS estimate of the size of the informal sector at 51-55%.

⁶ The information presented in this paper is based on four months of field research in 2001-2002. This research will be complemented by two surveys: one of leaders of vendor organizations in four districts

explanatory question: why did the opportunity pass? Contrary to the conventional wisdom that these workers are inherently unable to organize, this paper argues that the fluidity of political coalition building in a democratizing context better explains the political fortunes of street vendors in Lima during the past two decades. In the early- to mid-1980s, both public policy “from above” and coalitions built “from below” created an opportunity to build institutionalized mechanisms of representation for street vendors. However, these gains were reversed when severe economic crisis, the arrival of political terrorism in Lima, and a reversion to authoritarian rule hit the country between 1989 and 1992. In the context of these crises, vendors lost a key coalition partner within the system of political parties, and as a consequence changed their principal strategy from one of instrumentalism to one of self-defense. As a result, these workers were unable to transform themselves into a stable, institutionalized political constituency.

The paper then turns to a comparison of collective action among street vendors in Lima and Caracas over the past five years. Although vendors in both countries have constructed base-level associations, those in Caracas have relied more heavily on public protest and confrontation as a participatory strategy than vendors in Lima. This choice of method for demand-making, I would argue, is a result of the more general “climate of protest” that opened political space for new forms of participation not widely practiced in Venezuela before 1987.⁷ The repertoire of methods used by vendors in Caracas to place pressure on the municipal government ranged from peaceful protests to major disruptions to violent confrontations, while Limeños have remained more defensive during the time period. Thus, despite striking similarities in macroeconomic and political conditions across the two countries, politics at the street level differs significantly. I argue that this

within Metropolitan Lima, to be administered March-May 2002; and one of vendors in those districts, to be administered May-July 2002.

⁷ In Dietz’s terms, the predominant mode of participation shifted from “formal” (electoral) methods to “informal” methods (Dietz 1998).

difference is a consequence of the *nature* of party collapse at the beginning of the decade, which only in Lima entailed political violence.

Finally, the paper contributes to the theoretical literature on the urban informal sector, which is plagued by problems of conceptualization and measurement. Three specific problems are that (1) scholars have offered a wide variety of competing definitions of the term “informal sector”; (2) although some definitions are clear at face value, the empirical complexity of this segment of the workforce often makes these definitions difficult or impossible to operationalize; and (3) systematic cross-national figures on the informal sector tend to employ a definition that does not correspond to informality; and studies that offer complex definitions of informality tend not to do systematic cross-national research. Echoing Lisa Peattie’s call for abandoning the term “informal sector” nearly fifteen years ago, I propose a different set of terms to refer to the various kinds of workers who conventionally fall into this category.⁸ These terms, I argue, are better suited to capture the changing empirical circumstances of these workers, while at the same time offering clearer concepts and more practical measurements.

⁸ Lisa Peattie, “An Idea in Good Currency and How It Grew: The Informal Sector” (*World Development* 15, no. 7 (1987): 851-860).