



Is the Informal Sector Politically Different? (Null) Answers from Latin America

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SUMMARY

Scholars have produced a limited understanding of the effect of informal labor status on a worker's political attitudes and behavior. We present descriptive evidence on the micropolitical correlates of informality using direct measures of the concept in public opinion surveys from 18 Latin American countries. We test three scholarly impressions of informal workers—that they are less politically engaged, more right-leaning, and more favorable toward noncontributory social programs than formal-sector workers. These are grounded in a dualist conception of labor markets that views the formal and informal sectors as having little overlap. We find minimal evidence for these impressions and argue that recent empirical findings consistent with a revisionist view of informality better account for our null results. According to this view, informal and formal labor markets are highly integrated, which, we argue, melds together the economic interests and political preferences of individuals in both sectors. We also provide evidence that casts doubt on alternative explanations that would attribute our null results to the timing of our surveys, to arational sources of political behavior, or to measurement error.

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1. Introduction

High rates of economic informality are virtually a defining characteristic of macroeconomies, product markets, and labor in less developed countries. Despite this, social science has produced a limited understanding of the effect of informality status on a person's political attitudes and behavior. Many scholarly views of micropolitics in the informal sector are impressionistic, while survey-based studies of mass political behavior rarely distinguish informal from formal workers. In practice, scholars have tended to rely on broad indicators of wealth, income, or class (Mainwaring, Torcal, & Somma, 2015) and on labels such as “popular sectors,” “low-skilled sectors,” or “the urban poor” (Collier & Handlin, 2009). All of these skirt the defining essence of informality: the lack of state presence.

We present descriptive evidence on the micropolitical correlates of informality using direct measures of the concept in surveys from 18 Latin American countries. We test three scholarly impressions of informal workers, all of which are grounded in a dualist conception of labor markets that views the formal and informal sectors as having little overlap. One is that informal workers are less politically engaged than formal-sector workers, the second is that they are more right-leaning in vote choice and issue attitudes, and the third is that they are more favorable toward noncontributory social programs. We find little evidence for these impressions.

We argue that recent empirical findings consistent with a revisionist view of informality better account for our null results. The informal and formal sectors are much more integrated than the dualist view holds, as evidenced by relatively frequent worker transitions between the two and by pooling within households of formal and informal earnings. This integration melds together the economic interests and political preferences of individuals in both sectors. We also provide evidence to dismiss alternative explanations that would attribute our null results to the timing of our surveys, to arational sources of political behavior, or to measurement error.

2. The dualist view of informality and its micropolitical implications

Scholarly impressions of the informal sector, especially in political science, are inspired by the dualist view of labor markets. Grounded in de Soto's (1989) canonical treatment, it considers labor markets in developing countries to be deeply segmented between the formal and informal sectors (Harris & Todaro, 1970). Informal workers are seen to be almost permanently shut out of formality by high regulatory barriers and a lack of available opportunities. They treat unregistered work as a last resort while queuing for better prospects in the formal sector that rarely transpire. For example, Portes and Hoffman betray this view of rigidity by referring to social classes, of which the “informal proletariat” is

one in their framework, as “discrete and durable categories of the population” (Portes & Hoffman, 2003, p. 42). Similarly, Banerjee and Duflo refer to South Asia’s many sole proprietors of unregistered firms as “reluctant entrepreneurs,” on the premise that these proprietors prefer steady employment in the formal sector but rarely achieve it (Banerjee & Duflo, 2011, p. 205).

The dualist viewpoint does not itself yield ready-made expectations about mass political behavior in the informal sector, but the impressions offered by scholars of politics are generally consistent with this view of labor-market immobility and near-permanent exclusion from formality. In the 1960s, many scholars saw the new urban poor—most of them migrants from rural areas who moved to squatter settlements and worked informal jobs—to be a potential source of radical political activism (Huntington, 1968; Soares, 1967), but this view was soon countered with a portrait that largely prevails to this day (Nelson, 1970).

The most frequently made, long-held, and well-known argument, which we call the *undermobilization hypothesis*, is that informal workers are less likely to be collectively organized and to participate in politics. Because they tend to be either wage earners in small firms or self-employed sole proprietors, informal workers are socially atomized and relatively lacking in immediate, visible common interests (Blofield, 2011, p.8; Kurtz, 2004; Dix, 1989). This heterogeneity in social experience and in policy demands creates high barriers to collective action:

- “Small artisan and service shops, vending, and domestic service are inherently difficult to organize. . . . Even social and religious organizations are weak among the urban poor” (Nelson, 1970, pp. 405–6).
- “informal and micro-enterprise sectors . . . are notoriously difficult to organize, as workers’ economic activities leave them widely dispersed, disconnected, and unregulated” (Roberts, 2002, p. 22).
- “. . . informal sector presence . . . pacif[ies] marginalized populations” (Milner & Rudra, 2015, p. 669).¹

Another frequently made argument, which we call the *right-leaning hypothesis*, is that informal workers are less likely to vote for the political left than formal workers. Scholars do not always flesh this argument out as clearly as they do the undermobilization hypothesis, but we see two purported mechanisms for this alleged voting pattern.

The first stems in part from the undermobilization hypothesis itself: union affiliation links formal workers into the left’s primary organized constituency, while informal workers are less likely to be collectively organized and thus less receptive to the ideological and class-based political appeals made by leaders of the political left (Roberts, 2002, p. 22). Untethered by class- and group-based sympathies, informal workers are more susceptible to non-programmatic and ideologically ambiguous appeals, often from clientelistic elites (Cameron, 1991; Oxhorn, 1998):

- “Clientelistic linkages are better suited than unions to organize—and win votes among—the fragmented and heterogeneous strata of urban unemployed, self-employed, and informal sector workers generated by deindustrialization” (Levitsky, 2003, p. 140).

¹ The undermobilization hypothesis also underlies Ansell and Samuels’ (2014, p. 42) model of regime change, and it finds resonance in OECD contexts. David Rueda (2005) makes an analogous argument about the distinction between workers with secure, full-time employment (“insiders”) and those with more flexible and part-time arrangements (“outsiders”): “outsiders tend to be less politically active and electorally relevant . . . than insiders” (p. 62).

- “Weaker union organization [in Latin America than in Western Europe], weaker civil society, high levels of clientelism, weaker social capital . . . all weaken the counter-hegemonic position of progressive forces and thus translate into a less hospitable climate of public opinion for left political parties” (Huber & Stephens, 2012, p. 39).
- “For many low-income groups, the consequence of labour market flexibilization and the collapse of prior patterns of corporatist incorporation has been social fragmentation, and this has limited the capacity for political participation. . . . It then becomes individually rational to vote for a vote-buying party or candidate over one with a programme of redistribution. Thus the political system is ‘unanchored’ from the poor and allowed to drift further to the centre or centre-right” (Schneider & Soskice, 2009, p. 45).

The second mechanism is that informal workers possess more capitalist-friendly values. Since many informal-sector workers are small-time entrepreneurs and even employers, they may be natural critics of Latin America’s interventionist and exclusionary states, an assertion that underlies de Soto’s provocative claim that “the constituency of capitalism has always been poor people that are outside the system”² (de Soto, 1989; Weyland, 1996). Similarly, in the 1970s and 1980s, various scholars explained the surprising lack of socialism and radicalism among the new informal sector’s core—rural-born workers who moved to cities—in terms of a “migrant ethic” (Portes, 1971, p. 713). The ethic promoted individualist values that eschewed class appeals and structuralist explanations for their economic plights:

- “Wealthier and better-educated people may think in terms of governmental policies and their effect on economic conditions, but the poor and uneducated [in Third World cities] are less likely to blame the authorities for general economic difficulties” (Nelson, 1970, p. 404).
- “. . . urban migrants . . . tend to see their present and future in terms of individual, rather than class or group, mobility. Their demands tend to center on acquiring a bit of land on which to construct a dwelling and on such amenities as sewers and transportation for their barrios, rather than on grievances against a factory boss, much less against the capitalist system itself. Such is not the kind of social situation in which class solidarity thrives” (Dix, 1989, p. 32).

We label the third impression the *noncontributory preference hypothesis*, which holds that informal workers favor Latin America’s relatively new noncontributory social assistance policies over its traditional contributory social insurance ones. This newer scholarly impression is rooted in the fact that social policy benefits lie at the core of the informality/formality divide. Built up incrementally over the course of the 20th century, Latin American welfare states have largely been grounded in Bismarckian, corporatist principles of work-based, contributory social insurance (Esping-Anderson, 1990): the government administers payroll taxes on formal-sector work and grants benefits only to active and former contributors and their families (Haggard & Kaufman, 2008; Rudra, 2008). Informal workers, by definition, are labor “outsiders” that do not benefit from (and often even partially fund through consumption taxation) these payroll-funded social programs. Thus, they should prefer means-tested and universalistic social assistance, such as the conditional cash transfer and minimum pension programs that have been implemented in many countries in recent years (Garay,

² http://www.pbs.org/wgbh/commandingheights/shared/miniextlo/int_hernandodesoto.html.

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