

# The resilience of informal workers to COVID19 and to the difficulties of trade

## Abstract

This paper examines the role of the informal labor sector in Bolivia during the pandemic and the confinement contributing to food security. The particularities of this sector in a developing economy and the importance of its networks in its economic, social and political development are explained.

**Keywords:** labor informality, network, trade, pandemic, lockdown, JEL classification: F16, F66, I12, I15, J46

Volume 4 Issue 4 - 2020

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**Received:** June 29, 2020 | **Published:** August 12, 2020

## Introduction

Bolivia had a period of great prosperity between 2006 and 2014 due to the boom in the prices of its exports, basically gas, minerals and soy. Starting in 2014, export earnings decreased, imports continued to grow, international reserves declined, and unemployment increased. In 2019, the economy ended battered so it was expected to have a bad year in 2020, which was aggravated by the pandemic that struck the entire world.

Although it is still early to assess losses, on-site observations show a great resilience of some sectors of informal workers. The World Bank estimated a decrease of 5.9 percent of the Gross Domestic Product for 2020 and anticipates a recovery of 2.2 percent the following year. For the large economies, it predicts much larger declines in output with a significant recovery in 2021.

The Bolivian economy is that of a non-industrialized country: few large companies and an important number of small companies, many of them with only one worker, operating outside the legal provisions and with low returns. But what is a weakness in normal times, can be a strength in times of crisis.

Faced with the instability of employment that characterizes developing countries, workers adopt 4 strategies: they acquire various job skills, distribute household members in different jobs, diversify their investments and insert themselves into family or social networks of mutual support, horizontal and vertical. The former are unions organized by economic activity or occupations, the latter bring together workers at different levels of complementarity. In them, networks linking farmers to transporters and traders provide food security to cities. These networks are formed around extended families and / or members of the same place of origin.

These strategies lead to the creation of small businesses. Large companies are capital intensive, while small companies have little capital and low fixed costs, which allows them to change their activity depending on the economic situation, seeking to minimize losses. With the arrival of the pandemic and the rigid confinement imposed by the authorities, there was great fear that there would be food shortages and that informal workers would see their incomes drop sharply. However, they were able to secure food supplies in the cities and prevented their income from falling sharply, often violating legal provisions. Other informal workers did not have the same luck, but

some of them, especially among the masons, returned to agricultural activity and inserted themselves into the food network. Frequently, the informal economy is thought to provide a “cushion” during crises to those who lose jobs. However, this is possible only if the unemployed have links with some network of informal workers.

## The Bolivian informal labor sector

Two currents to explain the existence of the informal sector predominate in economic and social thought: the institutionalism and the structuralism. The first, promoted by Hernando de Soto,<sup>1</sup> proposes that the existing institutional restrictions in the labor market, the high tax burdens and the heaviness of the procedures to be formal lead many firms and workers to opt for informality, that is, to work outside the legal order. The second trend<sup>2</sup> proposes that inequality of labor skills closes the door of formality to less qualified workers, giving rise to segmented labor markets.<sup>3,4</sup> Many believe that informality is characteristic of underdevelopment and that as countries develop, informality decreases.<sup>5,6</sup>

Not far from the structuralism trend, but with our own perspective, we postulate<sup>7</sup> that labor informality is explained by the segmentation of the market for goods and services resulting from inequality in income distribution and inequality in job training. The unequal distribution of income leads to differentiated demands for goods and services: the wealthy strata demand goods produced or marketed by formal establishments that hire skilled workers, while low or moderate income families are not very demanding on quality on condition of obtaining a lower price. Responding to their demand, there are goods produced by workers with lower qualifications. They are informal workers. There are a large presence of indigenous worker among the informal ones due to the fact that they have not had the same training opportunities as the rest of the population and also due to the transcendence of feudal relations (boss vs. servant) still existing in the Andean region. In general, they continue to have ties to their families in rural areas.

Feudal sways in Andean societies lead elites to discriminate against indigenous populations, closing the door to well-paid or prestigious jobs. Aware of this lack of opportunities, some families do not want their children to obtain good levels of job qualification and push them to the labor market early without giving them the opportunity for further training. They swell the ranks of the informal.

The informal labor sector is characterized by the large presence of women who find in it a way to reconcile domestic tasks (childcare, household) with paid work. For many young migrant women of peasant origin, the informal sector is an experience where they learn the customs and rules of the cities.

Having established the main currents of thought, it should be noted that reality is quite blurred. On the one hand, goods and services markets as well as labor markets overlap to some extent. On the other hand, some segments of the informal group achieve incomes higher than the highest formal income, especially those that are inserted in foreign trade operations, while others have lower incomes than the lowest formal income. To illustrate that some informal workers are doing very well, it is worth mentioning that some have developed a new architecture in the city of El Alto with the name of “cholet” (abbreviation of chalet and cholo) with the support of a large Aymara artist Freddy Mamami. The cholets are 4-8 story buildings that have an American style chalet on the top floor while the ground floor is reserved for commercial activities. The facades have original Mamani paintings.

In this complex reality, it is also possible to find that some workers voluntarily choose to be informal while others do so because they cannot find work in the formal.<sup>2,8</sup> Another point worth noting is that the informal sector is generally not free to enter because it requires the consent of the power groups that they control and that are organized in unions and families. Ignoring that the large presence of informal workers is a stage in the development process, some authors postulate that it should disappear. They take no notice of that all the countries of the world have gone through that stage.

The informal economy tends to be stigmatized as “illegal”, “underground”, “black market” or “grey market”. It is often called the “shadow economy” and characterized as illegal or unethical activity. The generalization is unfair. The vast majority of informal workers are trying to earn an honest living against great odds. Rather than working in the shadows, a great many works in public spaces and make huge contributions to communities and economies ([www.wiego.org/informal-economy](http://www.wiego.org/informal-economy)).

## Economic activities of the informal workers

The activities of informal workers can be divided into 3 groups: in urban areas, in mining and in agriculture. In urban area, there are 4 major groups of informal workers: merchants, transporters, masons and artisans. Among the merchants, there are three groups: those who work linked to the external sector, those who sell locally imported good and who sell agriculture products. Among the former, there are very prosperous and skilled merchants who have even been able to establish fluid trade routes with China by installing establishments in the Asian country that facilitate the importation of all kinds of products. Small merchants are responsible for selling these products and others that come from neighboring countries. Finally, there is the large group of merchants of agricultural products. When prices are over \$50 and buyers ask, merchants issue invoices, setting foot on the formality.

In urban areas, half a million drivers work with their own taxis and buses. They are self-employed and maintain links with agriculture and commerce. They use their cars to bring agricultural products to the cities in the early morning. Often their spouses are the merchants who will sell these products in local markets. Among street vendors, those who prepare and sell food are relevant. They are important because they guarantee food security for many people.

In the construction sector, bricklayers are hired on a daily basis and paid weekly. They have no employment contract or social benefits, not even accident insurance. Most of them combine agricultural work with construction work. Artisans who formerly made clothing, shoes and leather goods have gradually disappeared due to the importation of manufacturing products from China at a very low price.

The other two major groups of informal workers are in mining and agriculture. Informal mining has always existed in Bolivia as a cushion for the crisis in the sector, but in the last decade it has grown a lot due precisely to the high price of minerals that made it possible to exploit low-value veins with artisan instruments.

Since the Agrarian Reform of 1952, the agricultural activity of western Bolivia has been in the hands of more than half a million peasants who work on their own in very precarious conditions and with low yields. Informal urban workers have multiple labor skills which gives them great job mobility. That is why workers cannot be easily slotted into one occupational group. For example, a home-based worker may produce a variety of goods and services across many industries, or may engage in street trading to sell what she makes (wiego).

The merchants and artisans, who are the majority among the informal ones, are organized in unions with high cohesion and are politically strong. Their cohesion comes from the economic ties that unite them and from ties of a family or geographical origin. In some markets, most of the stalls are owned by members of the same family. It is necessary to remember that in Latin America, the concept of family is very broad. Another cohesion factor is coming from the same town, region or ayllu. As is known, the more cohesion a group has, the more impermeable it is in relation to non-group members. All this leads to preventing the entry of members from outside the group to stalls that were appropriated by the first arrivals. Starting with the formation of unions at the market or neighborhood level, they build a pyramid organization with political force and negotiating power.

Bolivia has some two hundred thousand informal miners, most of them come from the old state mines that were abandoned in the 1990s and many of them combine mining with agriculture. They are organized in local guilds and an important national guild. Politically they are very strong to the point of continually achieving undeserved advantages from the government and of appointing mining ministers among their.<sup>7</sup> The bricklayers and farmers do not have important unions that defend their interests.

## Resilience during the confinement

### The context

From March 22, 2020, Bolivia adopted strict lockdown until June 15, later adopting a more flexible form of confinement, but in many regions, it had to resume it due to the severity of the pandemic. With economic activity paralyzed, due to confinement for about 3 months that could lengthen, fear spread due to its possible impacts on vulnerable groups, especially among informal workers. There was also fear that food would be lacking. The lockdown is expected to last through August, leaving many in desperate economic circumstances.

In February and March, the pandemic was mild, especially in the Altiplano, which is why many people supported the hypothesis that altitude and exposure to the sun would slow the spread of the virus, so they thought that government regulations were excessive and they uselessly damaged their work and income. This idea was deeply rooted

in urban and rural informal workers who reacted more than once violently against the police and the military who control the closure. The government said the protests were dictated from Argentina by former President Evo Morales and arrested many informal workers, accusing them of conspiring, although they only claimed the right to work.

Another scenario that harmed health policy and governance was given by the proximity of the general elections to be held on September 6 and which could lead to the victory of former President Evo Morales' political party, supported by the low-income population, among them, the informal ones.

The government, like other governments in Latin America, arranged the distribution of money among all Bolivians to face the fall in their income, but this did not calm the protests as the workers insisted that they wanted to work. With the arrival of winter in the month of June, the cases of Covid19 increased greatly, which led to softening prejudices and the leaders of peasants and informal workers began to express some fear.

### The reactions

In normal times, informal workers play an important role in the economy, especially with regard to food security. This sector ensures synergy between the countryside and the city and makes it possible to offer fresh, good quality agricultural products at reasonable prices. When rigid confinement was adopted, inter-province transportation, walking on the streets and using cars were banned, small businesses were closed, but large stores were allowed to open a few hours and to make home deliveries. Banks were only entitled to open 4 hours per day. School establishments were closed.

The regulations adopted to prevent families from buying food. In this situation, informal workers operated their networks to offer food in urban centers, although many times they violated the norms established by the authorities. They brought agricultural products to the cities in the cars of the members of their networks and installed small stalls in all the neighborhoods of La Paz. Four types of informal workers participated in this scheme: merchants, transporters, masons and peasants. The masons were inserted into these networks thanks to the ties they had with their family members in rural areas. Informal workers violated the transport and trade prohibition, but made it possible to offer fresh and reasonably priced food, albeit slightly higher than in force before the pandemic. They contributed to decongesting large markets, avoiding crowds. The use of masks and maintaining social distance became widespread among vendors and customers, but it was impossible under these circumstances to promote frequent hand washing. Some used gel alcohol to disinfect their hands and their products.

Due to logistical problems, large stores were crowded and they were quickly saturated with demands for home deliveries. To deal with this problem, informal traders organized home delivery services from neighborhood markets and also using motorcycles for longer distances. And they expanded their services by offering elaborate food and drinks and they expanded the motorcycle service to all kinds of products, including drugs.

Street and market informal workers feel that they are facing unfair competition from supermarkets during the pandemic. While they can only sell essential goods, supermarkets can sell all sorts of products. And every day comes with the uncertainty of whether they are exposing themselves to the virus in the process.

Like in many other countries, in the early days of the pandemic, panic spread and everyone rushed to pharmacies to buy face masks, soaps, and disinfectant alcohol, quickly depleting supplies. The Bolivian government rushed to make millionaire orders to China, but an offer quickly appeared with local products made by informal workers in large quantities. What were scarce products, began to be sold at reasonable prices in all corners of Bolivia.

This strategy was possible, especially in the city of La Paz, where vegetables, fruits, even meat, chickens and fish are offered outdoors without the risk of rotting or bringing diseases due to height, sun rays and scarce density of oxygen in the air. In La Paz, there are no large crowds like in Lima, Río de Janeiro or Medellín. The cities of Oruro and Potosí also have the same characteristics and in them it is possible to avoid large crowds, which is not the case in the populous city of El Alto where there are large numbers of people sharing small spaces. In El Alto and Cochabamba the protests against the confinement were strong and turned violent amid some level of disbelief about the effects of the pandemic and the political conflict explained above, but they were also able to organize the aforementioned cooperation networks for La Paz.

### Health issues

Due to the frequent violation of health standards by informal workers, there is a justified fear that the pandemic may continue to spread. However, it is still early to express an opinion on the matter. Only two facts should be highlighted: until June, Bolivia was in an intermediate range of infected cases per million inhabitants in Latin America, but it shows a worrying regional distribution of this disease. On June 21, while Chile had 12.6 thousand cases per million inhabitants, Peru 8 thousand and Brazil 5 thousand, Bolivia had only 2,200, but more than Argentina (952), Paraguay (193) or Cuba (206). Future research may explain the reasons for these differences, if they continue.

On the other hand, regional differences are disturbing, La Paz has 540 cases per million inhabitants and Santa Cruz has 8 times more. Between both regions, there are differences in altitude, solar radiation, temperature and also in the composition of the population. The population in La Paz is mainly of Aymara origin, especially the informal workers. As is known, cultural differences can imply a behavioral difference. Compliance with sanitary regulations was more lax in Santa Cruz than in La Paz. But it is necessary to insist on the fact that the possibility that climatic or cultural factors may explain these differences is not proven.

### Trade-off between trade and domestic production

As explained above, a significant part of informal traders work on importing products from China and neighboring countries and in their internal marketing. Furthermore, the numerous informal miners export their products. In both cases, the workers operate without respecting the rules and were harmed by the closure of the Bolivian borders. Possibly the closure of the borders will be prolonged until the end of the year due to the problems in China and the high number of cases of Covid19 in Brazil, Peru and Chile, neighboring countries with Bolivia.

Miners can hold their stocks for some time, but they will quickly have liquidity problems which can eventually be solved by banks with the help of the government. A significant portion of the miners

is linked to the land, which opens up the possibility of returning to agricultural activity.

The difficulty to import manufactured products from China or neighboring countries is a severe blow to many informal workers. However, it is also the occasion to relaunch local production generating employment. Several industrial sectors have the capacity for this, particularly the manufacture of clothing, footwear, leather products and food processing. Taking into account that the production facilities and networks remain intact, the recovery of the Bolivian economy and the replacement of the jobs and incomes of informal workers requires only an adequate post-pandemic macroeconomic framework and the possibility of distributing over time business and state losses.

Bolivia has been dragging a significant backward exchange rate for a long time, being one of the causes of the growth of imports. In this time of crisis, there is a consensus not to change the exchange rate due to its impact on inflation, but the quantitative restrictions on imports emerging from health policy may be extended for a few months. This will allow expanding and securing the market for national producers. On the other hand, it is necessary to ensure price stability with policies that slow down the growth of the fiscal deficit. It is also convenient to establish some mechanism to support non-traditional exports.

Since many companies have had losses during confinement, it is necessary to establish new rules to refinance the debts and finance the losses to make possible their absorption over time. The construction sector may be in difficulties, which would mean the unemployment of thousands of bricklayers. Informal mining requires special treatment.

The government intends to create trust funds to finance the companies, but the short time remaining in its management makes it unlikely that this will happen. The possible winners of next September's elections have not yet made their proposals known. In any rehabilitation plan it is important to take into account local synergies, in particular existing networks.

## Conclusion

Several conclusions emerge from the previous explanations. The main one is that the informal sector has been very important in ensuring the supply of food during the pandemic, which, at the same time, has allowed it to preserve its income to some extent. All this they are putting their health at risk, although they showed enough care in the use of Biosafety materials. For some time, many workers have shown disbelief about the severity of the pandemic because it initially had no strong impact in the country. They thought that the altitude, the solar rays and the temperature would slow down the virus and that the

policy of confinement was excessive. The disbelief of many workers and the political conflict that opposed the government with the Evo Morales created an atmosphere of violence and mistrust.

There was fear that informal workers would contribute to the spread of the pandemic, but its incidence in Bolivia remains moderate, although with a tendency to grow, but it is worrying that there are many cases in the lower parts of the country. Accompanying these descriptions, important clarifications have been made about what the informal work sector means in a country like Bolivia, and the need to count on it for the post-pandemic economic recovery.

## Acknowledgments

None.

## Conflicts of interest

The author declares no conflicts of interest.

## Funding

This research was supported by funds from the Swiss Program for Research on Global Issues for Development (r4d program) under the thematic research module "Employment in the Context of Sustainable Development" and the research project "Trade and Labor Market Outcomes in Developing Countries".

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