



# Women in Informal Employment Globalizing and Organizing

April 2014

## Informal Economy Monitoring Study Sector Report: Street Vendors Executive Summary

Street vendors provide easy access to a wide range of goods and services in the public spaces of cities around the world: from fresh fruits and vegetables to building materials; garments and crafts to consumer electronics; prepared food to auto parts and repairs. Official statistics show that street vendors make up between 2 and 24 per cent of total urban informal employment in African, Asian and Latin American cities. Their activities generate demand for formal and informal suppliers, create jobs for porters, guards, and transport operators, and generate revenue for local governments. In many countries, especially in Africa, the majority of street vendors are women.

Street vendors are one of three urban informal worker groups who form the focus of the Informal Economy Monitoring Study. The 10-city study aims to provide credible, grounded evidence of the range of driving forces, both positive and negative, that affect working conditions among home-based workers, street vendors and waste pickers; the responses of informal workers to these driving forces; and the institutions which help or hinder their responses. The IEMS is based on a collaborative approach between researchers and membership-based organizations (MBOs) of informal workers in each city. Street vendors in five cities — Accra, Ghana; Ahmedabad, India; Durban, South Africa; Lima, Peru; and Nakuru,

Kenya — participated in the study. The sample in each city was designed to be representative of the population of partner MBO members.

The IEMS is based on qualitative and quantitative methods. The qualitative component consists of a participatory informal economy appraisal (PIEA), an innovative method designed to capture systematically the perceptions and understandings of informal workers, in their own words, in focus group settings. Fifteen focus groups of about five workers each were conducted in each city-sector. The quantitative component consists of a survey administered to the 75 focus group participants per city-sector plus another 75 workers who did not participate in focus groups. A total of 743 street vendors participated in the study.

### Key Findings

#### *Individuals, Households and Enterprises*

The street vendors in the sample engage in a variety of activities: from producing or transforming goods at home and selling them in the streets; to sourcing from wholesalers and selling at diverse locations; to providing a range of services including dressmaking, masonry, hairdressing, knife sharpening, carpentry, car guarding, computer repairs, accounting, shoe and watch repair, editing, and physical therapy.



Photos: L. Vyrenhoek, A. Buckland, C. Roca

Forty-eight per cent of respondents in the survey sample have complete primary education or less. Eighty-five per cent live in households for which the main source of income is informal work: 68 per cent rely on street vending as the main source of income, and 17 rely on the informal work of others. Less than seven per cent live in households in which formal wage employment is the main source of income. Women are nearly twice as likely as men to sell fruits and vegetables, and are half as likely as men to hire paid helpers on occasion. Nearly all — 95 per cent of women and 97 per cent of men — classify themselves as own-account workers.

### **Driving Forces**

The study found that drivers related to urban governance are the most significant for street vendors. The only driver to be ranked among the three most important in focus groups in all five cities, and the most highly ranked overall, was abuse of authority: including police harassment, arbitrary confiscations of merchandise, demands for bribes, and physical abuse. Focus groups also identified the lack of a secure workspace, evictions, and relocations as significant drivers. Quantitative data confirmed that insecure workplace conditions affect many vendors, especially those who work in the streets rather than in markets: 53 per cent of street vendors in the combined survey sample said insecurity of vending site and harassment are significant problems.

The study also found that licensing and regulatory restrictions affect working conditions for street vendors. Licenses are difficult or impossible to acquire for some — 7 of 10 fruit and vegetable vendors reported that obtaining a license is a problem, for example — while others who hold licenses are still subject to merchandise confiscations. In addition, about two-thirds of the combined survey sample reported that poor access to urban infrastructure is a significant problem, and focus groups ranked poor quality of workplace infrastructure — including water, electricity, toilets, shelter and storage — as a significant driver.

Among macroeconomic drivers, the study finds that rising prices and sluggish demand restrict the working capital available to many vendors, limiting the amount of stock that can be purchased and increasing the need for vendors to borrow from informal moneylenders. In each of the five cities, more than 70 per cent of street vendors reported that their supplies had become more expensive over the past year. Many vendors are unable to pass high prices on to consumers because of intense competition in the sector and expectations among customers to negotiate low prices in the streets. Eighty per cent or more in Ahmedabad, Durban and Nakuru reported that competition is a significant problem, and over 50 per cent in every city said they have difficulty negotiating higher prices from customers. Among value chain drivers, the lack of available credit and unfavourable terms for borrowing were significant for vendors in all cities.



*Potato vendor in Durban: A. Buckland*

Positive drivers were also identified in most cities. Focus groups in Accra identified urban growth and the expansion of urban infrastructure as positive drivers, as well as the availability of loans, good quality and availability of wholesale products, and good relations with suppliers. In Ahmedabad, eight of 15 focus groups identified good relations with customers as a positive driver, seven groups said demand was sufficiently strong to maintain a livelihood, and five said the proximity of the wholesale market was helpful. Durban's vendors did not identify a single positive driver, while Lima's vendors said the current policy environment, as well as urban growth and access to licenses in some parts of the city, were positive drivers. In Nakuru, nine groups identified access to capital as a positive driver, and four groups identified having a fixed workplace or effective permit as positive.

### **Responses and Mediating Institutions**

Of the 502 total responses to negative drivers identified in the focus groups, the most common was to resort to the debt cycle by taking out a loan or buying on stock on credit; this was an especially common response to macroeconomic drivers, such as rising prices, and city/government drivers, particularly merchandise confiscations. Many vendors expressed frustration with their lack of leverage vis-à-vis city officials, to the extent that it is less costly for them to absorb the costs of harassment and merchandise confiscations than it is to resist them. In most cities, the focus group data indicate that MBOs play a central role in collective responses to negative drivers related to the city/government.

In both the survey questionnaire and the focus groups, street vendors were asked which institutions help or hinder their ability to respond to the driving forces they identified. Seventy-eight per cent of survey respondents identified MBOs as helpful; 65 per cent said other workers are helpful, and 46 per cent said NGOs help their sector. Focus groups corroborated the survey data, identifying MBOs and

cooperatives as the most helpful institutions, followed by NGOs, wholesalers, and community institutions like churches, hospitals, schools and universities. Conversely, the study found that street vendors view local government, national government, large retailers, and banks as largely unhelpful.

### **Linkages and Contributions**

The study found that street vendors' activities generate demand for both formal and informal suppliers: 51 per cent acquire their goods primarily from formal enterprises and another 27 per cent buy them primarily from informal enterprises, while the remainder produce the goods they sell. In addition, 84 per cent of street vendors in the sample pay for services provided by porters, security guards, transport operators and others, generating additional economic activity. About two-thirds in the sample pay fees for licenses, permits or the use of public space, creating revenue for local governments; and many participants noted that they contribute revenue to national governments through value-added taxes on their purchases of stock and other supplies. Many focus group participants also said they provide cleaning and security services at their workplace, keeping the streets clean and safe in order to attract customers.

### **Theoretical and Policy Implications**

#### **Theoretical Lessons**

The study findings imply a need to rethink common assumptions about constraints on informal enterprises and on the nature of linkages between informal enterprises and the state. First, the findings indicate that street vendors are well within the regulatory reach of the state, contrary to the conventional wisdom that informal workers operate "outside of" regulation; yet they lack effective legal rights and bargaining power around important issues like security of workplace and access to basic infrastructure.

The study also finds that vulnerabilities are more prevalent among street vendors than market vendors, and more prevalent among fruit and vegetable vendors than vendors of other goods and services. Like formal enterprise operators, informal own-account workers are subject to certain kinds of commercial risk through such factors as rising prices, sluggish demand, and unreliable supply chains. But without effective legal rights as workers, street vendors are also subject to earnings and expenditure risks — as well as physical risks — that formal enterprise operators are not. Their unpredictable business environment and unstable earnings and expenditure cycle undermine vendors' ability to accumulate assets over time.

Put differently, street vendors engage with the state regulatory system on fundamentally different terms than formal entrepreneurs. Street vendors pay a range of costs that formal enterprise operators do not: ranging from cash payments to access a space on the street or sidewalk, to bribes to ward off evictions, to



Vegetable vendor in Ahmedabad: J. Lückmann

fines levied for real or imagined transgressions of by-laws, to in-kind payments in the form of confiscated merchandise that is never returned. Vendors also pay for basic services such as water, electricity, storage, public toilets, and waste removal, whether or not those services are delivered adequately in return. And many vendors pay value-added tax on their purchases of stock without being able to claim it on their sales. The evidence around the unfavourable terms of exchange between street vendors and states reinforces the need to understand the disadvantageous ways in which informal economic actors are incorporated into the economic and social life of cities — and by implication the ways in which improving those terms may help street vending enterprises become more productive.

#### **Policy Implications**

One key policy lesson from the study is that urban planning and local economic development strategies should explicitly recognize street vendors as workers for the role they play in generating economic activity, providing jobs, and bringing retail goods to consumers. While in most cities it is impossible to accommodate all street vendors in public space, urban planning authorities should study the carrying capacity of natural market areas and the size of the street vending population at the city level, and accommodate an appropriate number of vendors through licenses or permits that grant authority to work in public space.

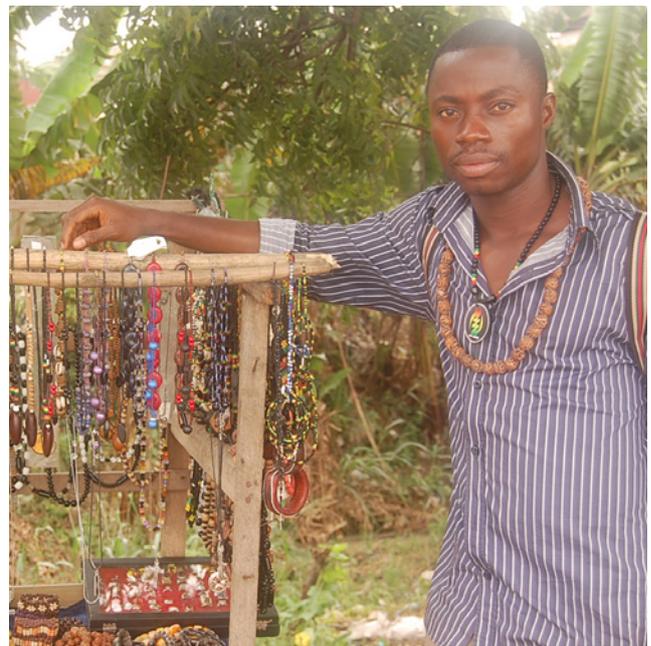
It is important to recognize the need to accommodate street vendors in public space, as many are unable to accumulate enough capital to invest in a market stall or to generate regular and sufficient earnings to support monthly rent payments. In part, this is because street vendors and their households are subject to a wide range of risks and enjoy few forms of legal or social protection. Urban planning practice must consider the role of public land in supporting livelihoods. Norms for land allocation that support

street vending livelihoods in natural market areas, combined with urban design innovations that take into account the day-to-day work process, would lay the foundations for a more supportive and dynamic urban economy.

The findings suggest that there is an urgent need for a set of basic legal rights and protections for street vendors and other informal workers whose workplace is public space. City authorities should work with street vendors and their organizations to identify regulations that *appropriately* address the practical reality of the work process and the role of vendors in the urban economy, and *effectively* protect vendors' basic rights to livelihood and property. No vendor should be beaten, arrested or jailed for selling legal goods or services in the streets.

In addition, planning authorities should consider ways of designing and delivering urban infrastructure to support productivity in the informal economy. Making basic infrastructure such as running water and toilets available to vendors and consumers would help keep street markets more hygienic. Providing street lighting and affordable and well-regulated electricity would make the streets safer for everyone and support certain kinds of activities. Adequate shelter and storage facilities would help vendors protect their goods from spoilage and theft, in turn reducing the necessity of borrowing from informal moneylenders. The study findings show that urban infrastructure plays a critical role for workers at the base of the economic pyramid, not just for those at the top.

Finally, any policy intervention should take into account the ways in which the street vending sector is segmented between more and less vulnerable



Joehny vendor in Accra: D. Mireku

vendors, and the ways in which the voices of street vendors and their organizations can be heard in policy processes. Interventions that do not take such differentiation into account are not likely to succeed, nor are interventions that do not recognize the day-to-day realities of the work process. Street vendors and their representative organizations are in the best position to identify the sources of precariousness and vulnerability in the sector, and they should be full partners in designing and implementing measures to address them. Membership-based organizations of street vendors, meanwhile, should look for productive ways to engage in the urban planning process and build alliances with other organizations of informal workers.



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