

Informal vending in the developing world

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Introduction

In developing world countries there are few formal employment opportunities for much of the population. There is also a lack of welfare provision to support those who are unable to find formal employment and this is one reason why a significant proportion of the population in developing areas works in informal sectors of employment, instead. The International Labour Organisation (2002: 11) defines informal employment as employment 'without secure contracts, worker benefits or social protection'. The most visible activity in the informal sector is informal vending (or selling) and despite the importance of informal vending to people's livelihoods, most local governments respond by attempting to remove informal vendors from the streets.

The aim of this research is to determine the characteristics of informal vendors, what they are selling, and why they work in the informal sector. Importantly, the study explores responses to informal vending and makes recommendations for more supportive policies. The research was conducted in Cusco, a medium-sized city in Peru, Latin America and draws upon an observational survey, questionnaires and interviews with vendors.

Findings

Who are the informal vendors?

The observational survey revealed that there are approximately 4,500 informal vending units in the centre of Cusco. In most developing world countries it is widely recognised that women are marginalised from employment and the Cusco study provides further evidence of this fact as the vast majority of vendors were female (75%). Informal vending also provides an employment opportunity for children, who face considerable barriers accessing any form of formal employment. In Cusco children were working, either alone or with an adult, at approximately 13% of all vending locations. Finally, nearly 11% of all informal vendors were from the indigenous population, a population that predominantly lives in rural areas and normally makes up only a small proportion of the urban workforce. It is clear that informal vending is mostly populated by marginal groups.

What goods are sold by the informal vendors?

By investigating the goods sold by informal vendors it is possible to identify a hierarchy in which we see more marginal groups selling the least profitable goods, often in the least profitable locations. Most of the goods sold by informal vendors are perishables, particularly fruit and vegetables, with only one fifth of all goods being non-perishable (e.g. household goods and electrical items). In addition to these goods which are mostly sold to the local population, a further 10% of all goods sold are targeted at tourists. Interestingly, male vendors are far more likely to sell the relatively profitable household and electrical goods, whereas women, children and indigenous



traders typically sell the less profitable goods.

Reasons for working in informal vending

The study identified two primary reasons for working in informal vending: i] to earn money, and ii] because it is perceived to be a social and cultural right. When questioned, vendors claimed that there are few alternatives to informal vending: some even suggested that if they could not sell on the streets and in markets, they would be forced to steal in order to survive. The money earned from vending is used for a variety of purposes, including the purchase of food and the payment of fees for schooling. Some children also used some of the money they earned for leisure activities.

In addition to economic reasons for vending, many informal vendors claim that they choose to work in the sector, rather than try to enter the formal sector, because they prefer to work in this way. Informal vendors have worked on the streets of Cusco for centuries and many vendors believe it is their social and cultural right to continue working on the streets and in informal market places.

Responses to informal vending

The study found that the dominant response by local authorities to informal vendors was to seek their removal from the street. Between 2000 and 2004 approximately 6,700 informal vendors were removed from the streets and either relocated to market buildings or simply removed from the streets. This response is common place and has been documented widely across the developing world. Whilst the removal of informal vendors from the streets led to cleaner and less chaotic streets, many informal vendors described how their removal from the street negatively impacted upon their livelihoods.



Recommendations

Policies targeted at informal vendors generally seek their removal from the streets and yet informal vending is key to their livelihoods. Local authorities should adopt more supportive policies which allow informal vending to exist, for example in clearly defined stalls and with access to key services such as running water.

Conclusions

- As in other developing world cities, a significant number of people in Cusco work in the informal sector, particularly in informal vending.
- Informal vendors are mostly female and it also provides an employment opportunity to children and minority ethnic groups. The sector obviously meets the economic needs of many marginalised groups.

- Informal vendors sell a range of low-cost goods and there is a clear hierarchy which further marginalises vulnerable people: men sell the more profitable goods, again marginalising women and children.
- Whilst most informal vendors work to support their families, there is also evidence to show that it is seen as a long-standing social and cultural heritage and some people would prefer to work in the informal sector rather than the formal sector.
- Policies targeted at informal vendors generally seek their removal from the streets and yet informal vending is key to their livelihoods. Local authorities should adopt more supportive policies which allow informal vending to exist.

References

- International Labour Organisation (2002) Women and men in the informal economy: a statistical picture, Geneva: ILO

Further information

- For further information on informal vending and the informal economy: <http://www.cardiff.ac.uk/cplan/research/informal-economy>