

From the street to the store. The formalization of street vendors in Quito, Ecuador

Sergio Ferragut and Georgina M. Gomez

Keywords

formalisation policy, informal economy, street vendors, local government, Ecuador

Abstract

With the support of local and international organisations, the municipality of Quito, Ecuador, relocated approximately 6000 street vendors from the streets to eleven Popular Commercial Centres. The research examines the extent to which formalisation has altered their working and living conditions from the perspective of the decent work framework. Fieldwork was carried out in one of the commercial centres through surveys and interviews with the relocated vendors, representatives of their associations, and local government officials. The study found that it is not obvious that the working and living conditions will automatically improve with formalisation. While some aspects have improved (i.e. labour, employment, work and skills use and upgrading), others have worsened (i.e. jobs, income and representation).

1. Introduction

The presence of informal street vendors on the sidewalks, squares and streets of the historic centre of Quito in Ecuador increased dramatically during the period 1950 to 2003. In the context of a process of development, the local government, the municipality of Quito (Municipio del Distrito Metropolitano de Quito - MDMQ), initiated a formalization process that affected almost 6,500 informal street vendors. Under different arrangements, the municipality built and refurbished 11 popular commercial centres (Centros Comerciales Populares – CCPs) where the formalized street vendors have been relocated since 2003. In addition to facilitating access to physical infrastructure, the municipality provided them with training and support with their management.

Formalization is conceptualized as an intervention aimed at bringing into the formal economy those wage-earning and self-employed workers who have been earning an income in the informal economy. In this chapter, we argue that not all those who have undergone the process of formalization have benefited equally, since individuals have different characteristics and therefore achieve different results in terms of their living and working conditions.

Before undertaking this research, different approaches for understanding the impact of formalization on the working and living conditions of vendors were considered; however, the one provided by decent work deficits, developed by the International Labour Organization (ILO), was identified as the most appropriate. While formalization targets the individuals and their business units, it also concerns the household. The decent work deficits approach enables a broad understanding of people's working conditions that goes beyond a study of income levels. Given that very few studies have examined decent work at the micro level, one of the challenges, and contribution, of this study was

to operationalize the concept and redefine the indicators so that they could be used for measuring the particular deficits experienced by vendors before and after formalization.

This research relied on both primary and secondary sources. Documents produced by different branches of the local government, international organizations and other institutions were used to frame the case and understand the actors involved. Six weeks of fieldwork were conducted during August and September of 2009, and included first-hand observations, pictures, a survey and interviews. The survey questionnaire was finalized after having visited the market and spoken informally with some of the vendors in order to develop indicators that were the most relevant to their situation. The questionnaire was employed with 14 vendors working at one of the allocated commercial centres. Other actors interviewed included five representatives of the organizations involved in the negotiations (i.e. municipality of Quito, the Inter-American Development Bank (IDB), the company for the development of the historic centre (ECH), the company for the urban development of Quito (Innovar), the unit responsible for implementing the modernization of informal street vending (UECM), and the administration of the commercial centre Ipiales Mires, as well as nine vendors that were relocated from the streets. Three of the vendors were interviewed as part of a focus group while the rest were interviewed individually. Unfortunately, the sample is not large enough for the conclusions to be considered representative of the entire population of street vendors, nevertheless, it serves the purpose of gaining an insight into the changes in the vendor's lives after formalization.

2. Informal economy and formalization

The ILO defines the informal economy as “all economic activities that are in law or in practice not covered or insufficiently covered by formal arrangements” (ILO, 2007a: 1). The change of terminology from the informal sector to informal economy “takes account of the considerable diversity of workers and economic units, in different sectors of the economy and across rural and urban contexts that are particularly vulnerable and insecure, that experience severe decent work deficits and often remain trapped in poverty and low productivity” (ILO 2007a: 1). This definition is far from being unchallenged, but serves the purposes of this chapter.

A parallel dilemma at the policy level is “whether the ILO and its constituents should promote the informal sector as a provider of employment and incomes or seek to extend regulation and social protection to it and thereby possibly reduce its capacity to provide jobs and incomes for an ever increasing labour force” (ILO, 2002: 1). This links to the discussion on whether informal jobs are, per se, low-income jobs. Portes and Schauffler (1993: 45) found that “owners of micro enterprises and some of the self-employed earn significantly more than salaried workers in the formal sector.” In turn, Teltscher (1994) and Perry et al (2007) established that during the 1990s some people resorted to becoming informal street vendors in order to survive while others did so by choice, thus disproving some of the assumptions that characterized those working in the informal sector as “survivalists”. As noted by Cross and Karides (2007: 29) in a more recent study, “Vendors can maintain an economic existence that ranges from basic survival to middle class existence”.

In the view of the ILO, workers and enterprises at the bottom of the labour pyramid experience a series of disadvantages or “decent work deficits”, which are most prevalent in the informal economy because the working conditions in informality are for its most part precarious and vulnerable (ILO 2007a: 3). Other authors have argued that in most

developing countries poverty results more from the inability of workers to obtain secure and decent incomes than from unemployment (Ocampo and Jomo, 2007: 13). Consequently, the ILO advises policy-makers to concentrate efforts on addressing salient decent work deficits for workers and entrepreneurs in the informal economy while at the same time bringing them into the main stream economy (ILO, 2007b: 2).

The general guidelines for decent work keep evolving as the discussion on this concept gains momentum. The aim is to set goals that would assist policy-makers at the country level. Decent work requires “making interventions in enabling dimensions of living that affect the circumstances in which a working person, given [his or] her labour and personal characteristics, starts out to achieve a decent life” (Majid, 2001a: 1). Four pillars or dimensions have been identified by the ILO as the most relevant for the achievement of decent work: (1) employment, (2) social security, (3) fundamental rights, and (4) social dialogue (see figure below). According to Ghai (2002: 2), “While the first two components of decent work refer to opportunities, remuneration, security and conditions of work, the last two emphasize the ‘social relations’ of workers.” In other words, the first two components of decent work are concerned with material needs while the last two are concerned with values and legislation.

The ILO has extended the concept of decent work to the micro level by identifying a set of seven securities, in addition to basic security, that capture all the different aspects that make work decent and which the organisation refers to as labour, employment, job, work, skill reproduction, income and representation. These constitute the main *dimensions* through which decent work deficits can be analysed comparing existing conditions with what may be considered “ideal” ones. In order to assess deficits in these areas, the ILO has created the People’s Security Surveys (PSSs), which track seven forms of

work-related security comprising decent work (Standing, 2002: 443). They are the following ones:

(1) *Labour market security* relates to the ability of the economically active population to obtain and maintain income-generating work (Kantor, Rani and Unni, 2006: 2091).

(2) *Employment security* relates to “the ability to keep one’s work” (Kantor, Rani and Unni, 2006: 2092) and “protection against arbitrary dismissal, and employment stability compatible with economic dynamism” (Standing, 2002: 442). It captures the overall vulnerability of workers to loss of jobs over time due to circumstances beyond their control.

(3) *Job security* “relates to having an occupational niche and is measured by the reason why the respondents entered their line of work, the perceived ease with which others can learn their skills and self-classification by relative skill levels” (Kantor, Rani and Unni, 2006: 2093).

(4) *Work security* “relates to the physical conditions of work” (Kantor, Rani and Unni, 2006: 2094), such as “protection against accidents and illness at work, through safety and health regulation, [and] limits on working time, on unsociable hours, and on night work for women” (Standing, 2002: 442).

(5) *Skill reproduction* “assesses how well workers can gain and maintain skills” (Kantor, Rani and Unni, 2006: 2095).

(6) *Income security* relates to having an income that is adequate, reasonably good relative to others, regular and assured, access to non-wage benefits and income-supplementing (or replacement) entitlements (Standing, 2002: 445).

(7) *Representation* implies the “protection of [a] collective voice in the labour market, through independent trade unions and employers’ associations and other bodies able to represent the interests of workers and working communities” (Standing, 2002: 442).

One of the few studies that evaluated decent work deficits among workers in the informal economy at the micro level was carried out in Surat, India (Kantor et al, 2006). In comparison with the present research, the one in Surat covered both wage-earners and self-employed workers. In addition, it was conducted through the households, whereas the approach used for this research is through the workplace. Table 1 summarizes the dimensions of the decent work deficits and how they were interpreted for this study.

Table 1: The dimensions of security and indicators used

Labour market	Employment	Job	Work	Skills reproduction	Income	Representation
Access to an income-generating activity.	Protection against fluctuations and changes in the market for reasons or circumstances beyond the control of the worker.	Having an occupational niche to allow a person to keep a job over time with opportunities for ad-	A safe and secure working environment.	Having the chance to use skills while gaining new ones at work.	An income that is adequate relative to that of others;	The right to form and participate in associations or organizations of workers recognized by existing authorities.

		vance- ment.				
Indicators used for evaluating the working conditions of vendors in Quito						
Irregular / seasonal work. Hours and days of work Mean hours of paid work.	Owns or rents store. Having a fixed loca- tion before formaliza- tion. Stability in informal work. Nr. of years working as a vendor. The store is insured against rob- bery and /or fire. Have access to social	Income fluctua- tions after formaliza- tion. Expected income fluctua- tions dur- ing the coming year.	Feels se- cure in the market against robberies, accidents and har- assment. Feels safe in the market in terms of health threats. Overall perception of safety and securi- ty before and after formaliza-	Vendor feels he or she is using all his/her po- tential and capabilities at work. Received training as part of for- malization. Access to certified formal train- ing.	Perception of making an average income relative to other ven- dors work- ing in the same type of market. Fluctua- tions of average income since for- maliza- tion. Sources of income other than the store.	Membership and participa- tion in asso- ciations or organizations of vendors before and after formali- zation. Knowledge about other existing asso- ciations or organizations at the mar- ketplace. Knowledge about who to approach when there is a problem in

	security benefits.		tion.		Income during the past month.	the market.
Source: Authors						

3. The path to formalisation in Quito

In 1978, the historic centre of Quito was the first place in the world to be declared a Cultural World Heritage site by the United Nations Educational, Scientific and Cultural Organization (UNESCO). During the 1980s, debt and financial crises directly contributed to a continuing deterioration of the historic centre. In 1987, this was exacerbated by an earthquake which damaged infrastructure, houses, buildings and monuments in the historic centre. In response, and in order to capitalize from UNESCO's declaration of 1978, in 1988 the Municipality of Quito decided to formulate a Plan for rehabilitating the area. As this process unfolded, space in the historic centre became a scarce and valuable resource.

The municipal intervention had different dimensions: (a) designing a master plan to develop the area, (b) designing the appropriate financing mechanisms, (c) building institutions that would coordinate the development of the area, and (d) developing specific projects that included the relocation and reorganization of ambulatory commerce and street vending (Carrion, 2006: 2). One of the first problems identified in the process

was that many of the historic spaces were used by informal street vendors, which by the mid-1990s were perceived to be an obstacle to the overall development of the area. A census by the Municipality of Quito in 1991 found that 10,000 informal street vendors worked in the historic centre (Carrion, 2006: 2). These findings revealed to policy-makers the size and significance of the informal sector in the city centre.

Throughout the 1990s, the concept of the informal economy changed and its potential contributions to economic growth was first reassessed and later recognized, at least in Quito. In 1996, the Municipality of Quito conducted a study of the vendors which concluded that “informal commerce constituted a popular solution in the face of the shortage of formal employment opportunities and it satisfied the consumer demand of the low-income sector of the population of the city” (Middleton, 2003: 84).

In 1996, the Municipality of Quito created a public-private enterprise for the development of the historic centre, the company for the development of the historic centre (Empresa Para el Desarrollo del Centro Historico - ECH) which was responsible for implementing the Master Plan for the Renovation and Development of the Historic Centre that had been approved in 1992. The ECH served as a platform to attract funding at the local, national and international levels. The biggest portion of the financing was a loan from the IDB, which contributed \$41 million, out of the total planned investment of \$51 million (Carrion, 2006: 6). The IDB’s contribution aimed at supporting the integral rehabilitation of the historic centre. The functions of the ECH progressively grew to encompass many areas of responsibility beyond its original mandate and in 2005 it became the company for the urban development of Quito (Empresa Para el Desarrollo Urbano de Quito - Innovar).

The new approach to the rehabilitation of the historic centre not only recognized the cultural and historic value of the area, but also placed special importance on its residents

and those that earned a living in it. An important step in the formalization process was the vendors' registration, which started in 1991 but was only completed during the final stages of the negotiations around the formalization process around 2003. Only vendors that were registered with the municipality were later entitled to obtain a store in the popular shopping centres.

The local government recognized the street vendors' right to be included in the development and rehabilitation of the historic centre, which encouraged them to negotiate with the local authorities a public space where they would be able to sell their goods. The associations acted as the interlocutors of the vendors with the Municipality of Quito, monopolizing to some extent, the main channels of communication and information in their favour. As noted by Middleton, "there was clearly discomfort with having to deal with the leaders of the organisations, many of whom were said to be 'mafiosos' who were exploiting the traders in their own interests" (Middleton, 2003: 96). In order to address this issue, the municipality organized several open meetings to inform and discuss with all vendors directly. A total of 96 trader associations, formed on the basis of their geographical location long before the formalisation process, decided to accept the invitation and participate in the negotiations. Together, they represented a total of 5,600 traders (Middleton, 2003: 96).

Construction of the popular shopping centres to relocate the vendors within the historic centre of Quito began in 1998. In 2000, a new unit in the local government for implementing the modernization of informal street vending was created. By June 2003, all the "formalized" street vendors had moved into the shopping centres. It was agreed that the popular shopping centres would first be managed by the UECM, which would support

the vendors in their transition “from the stall to the store”, and eventually, responsibility would be transferred to a body representing the vendors (Middleton, 2003). The future of the UECM is uncertain at present, as its mandate has been extended a number of times. Seven years since the inception of the popular shopping centres, it is evident that vendors cannot afford the cost of running the centres without the support of the UECM (e.g. administration, security, cleaning, maintenance of infrastructure).

Table 2. Popular shopping centres in Quito after formalization (as of August 2009)

Name	Location (streets)	Capacity (number of stores)
Centro Comercial CABLEC ('Feriantes de Martes y Sabados')	South	2,100
Centro Comercial El Tejar	HCQ - Lopez between Hermano Miguel and Mejia	1,200
Centro Comercial Hermano Miguel	HCQ - Imbabura between Hermandado Miguel and Mejia	1,600
Centro Comercial Chiriya-cu	South – Gualberto Perez	500
Centro Comercial Granada	HCQ - Corner of Chile and Cuenca, La Merced Square	430
Centro Comercial San Mar-	HCQ - Avenue Pichinca and	429

tin	Inclana	
Centro Comercial Montufar	HCQ - Montufar between Olmedo and Mejia	397
Centro Comercial Ipiales del Sur	South – Avenue Mariscal Sucre and Moran Valverde	350
Centro Comercial Nuevo Amanecer	HCQ - Lopez between Hermano Miguel and Mejia	250
Centro Comercial Ipiales Mires	HCQ - Corner of Mejia and Mires	209
Centro Comercial La Merced	HCQ - Cuenca between Mejia and Olmedo	208
Centro Ipiales del Norte	North – Gonzalo Gallo and Jorge Piedra	in planning stage
Total number of stores available as of August 2009		7,673

Note: HCQ = Historic Centre of Quito

In the popular shopping centres listed in Table 2 (ordered by number of stalls), it is mandatory for the vendors to open their stores from Monday through Saturday. Although the vendors own the stores that were awarded to them as part of the formalization process, one of the clauses of the contract establishes that they are not allowed to rent out or sell the store for a period of seven years. On completion of that period, property titles are issued to them, after which they are free to dispose of the store as they wish. This policy is complemented by deploying large numbers of police officers throughout

the historic centre to ensure that new and old informal vendors do not sell on the streets. As a result, the vendors that remain informal have moved to the periphery of Quito.

4. The Ipiales Mires Popular Commercial Centre

This study chose the Ipiales Mires popular commercial centre because of relatively small size, its location on the site where the informal street vendors used to ply their trade in the 1950s. It was built between 1998 and 2003, with financial support from local and international organisations. It has four levels, each with approximately the same number of stores, and the capacity to accommodate 209 vendors. All the stores are more or less the same size and have storage space, electricity and a metallic roll-up door that can easily be closed and locked when the vendor is out of the store. One set of stairs connects each of the levels but there is no elevator, making access to the top floors difficult for people with disabilities or for vendors that need to carry large volumes of merchandise into the stores. Although the centre does not have its own parking, customers and vendors are allowed to use the parking of the shopping centre located across the street. A bus stop across the street connects the market with the main points in the city. All levels have toilets and security cameras. There is good ventilation and a central patio with a glass roof that provides natural light for most stores in the market, complementing the artificial light provided in the corridors and stores. The third level has a food court with eight small restaurants that share a common space with tables, and the second level has seven telephone booths and an ATM machine. The office of the UECM, responsible for the administration of the Ipiales Mires centre, has three full-time employees and is located on the fourth floor where there is also a meeting area for both the UECM staff and the vendors. Also located on the fourth floor, there is a day-care centre that operates at full capacity.

All merchandise offered in the stores is new, but of medium to low quality, and most of it is from Ecuador (77 per cent). Almost all vendors sell only one type of product in their stores. In most cases, prices are not displayed and are settled after bargaining with the vendor and in cash only. Even when prices are displayed, they are usually not final but only serve as the starting point of negotiation for a final price. They reported selling the majority of their products to low- and middle-income Ecuadorians. In addition, 30 per cent reported tourists as the second most important group of customers. Finally, none of them reported selling to “*pelucones*” (upper income Ecuadorians). Although vendors generally sell most of their products by unit, some of them have become suppliers to new street vendors that usually buy from them the quantity of products they expect to sell each day. It is important to highlight that while the Municipality of Quito has managed to reduce the number of informal street vendors in the historic centre, informal street vending in general remains a common phenomenon on the periphery of Quito and in other provinces throughout Ecuador.

A number of stores are vacant and most economic activity takes place on the first and second levels and next to the food court on the third level of the centre. When asked why so many stores at the centre were closed, one of the vendors interviewed explained that some families that used to run a single stall on the streets, got more than one store at the popular centres because at the time of the registration each family member registered as an individual vendor. They were motivated mainly by speculation – the owners were not operating the store, but simply waiting for the process of formalization to be completed in order to be able to sell the store and make a profit. In addition, some vendors worked some days of the week in this particular market, and some other days elsewhere. Most vendors are the second and third generation descendants of the original vendors who started working at La Ipiiales around the 1950s.

5. A closer look at formalized vendors

Three main features guided the interviews: (1) the circumstances that led the person to engage in informal street vending, (2) the profile of a typical day in the life of a street vendor, and (3) as vendors in Ipiales Mires. At the end of the interview, vendors were also asked to reflect about what had “improved” and what had “gotten worse” since formalization. The real names of the vendors interviewed have been changed in order to protect their anonymity (see appendix).

The average age of those surveyed was 51 years old. The large majority of them were married and the average size of their household was 3.64 persons. Seventy one per cent of them were born in rural areas and had moved to Quito when they were young in order to find jobs. On average, vendors completed 12.2 years of formal education, which is well above the average level of education for Ecuadorians living in Quito, at 11.1 years. Among the surveyed vendors, the women had higher levels of education than the men. In the past, most vendors had very low levels of education and training, but they began to perceive it as a means of eventually climbing the social ladder. As a result, they attached great importance to educating their children but on completing their education, they encountered barriers to accessing certain segments of the labour market, which ultimately forced many of them also to become vendors – the trade they had learnt while growing up.

Most of the vendors (92 per cent) did not hire employees either permanently or seasonally; however, many of them reported receiving help from family members and friends during peak periods such as Christmas. The majority of those interviewed (57 per cent) had worked for a wage before becoming informal street vendors: of these, 71 per cent were men compared with 42 per cent of women. Of those interviewed, 78 per cent had

been selling the same type of products since the beginning. Some of them reported managing to build networks, which, over time, had allowed them to move upwards in the value chains of the products they sold, by incorporating other activities. For instance, a vendor explained that once she noted that the box in which her merchandise was packed had come from Colon. A few days later she went to a travel agency to find out where Colon was, and a few months later, having got a loan from an aunt, she was on her way to Colon, Panamá, to buy the merchandise directly from the producers. This allowed her to increase her profit margins over time, but at great personal risk.

The vendors produced 35 per cent of the products they sold, and of the remaining products 80 per cent were acquired through retailers and the remaining 20 per cent were purchased directly from the producers. Sixty four per cent of vendors bought their merchandise on cash and only 35 per cent used credit. Informal street vendors in the historic centre have had access to credit for a long time, and owning their stores has not changed the way they operate. Their main source of credit since the 1990s has been the suppliers (retailers) of merchandise. Before that time, their main source of credit was family and friends (Teltscher, 1994). This type of credit entailed no cost for the vendors, and, for the suppliers, it was essential in order to keep selling and attracting new customers. Vendors' most important collateral for credit is not property titles but "*la palabra*" (their word or promise). The rules for maintaining the supply of credit are very straightforward: if a vendor fails to pay off his or her credit, suppliers will not grant further credit and the vendor will not be able to operate any more. Since there are few suppliers, information on a bad payer circulates fast among them.

6. Decent work after formalisation

Table 3 summarises the findings on how formalisation has affected the decent work deficit of vendors in the seven dimensions explained.

The first dimension, labour market security, discusses the ways in which formalization affected the access of vendors to an income-generating job. On average, vendors reported that they worked 51 hours a week, which is well above the average for workers in Quito and other urban areas throughout Ecuador, which is 45.2 hours. On average, at the Ipiiales Mires centre, men reported working 58 hours a week, while women reported working 43 hours. Despite the fact that most vendors were already working long hours, 66 per cent of them reported that they would like to work even more hours – more men (83 per cent) expressed this than women (50 per cent). This may be motivated not so much out of “entrepreneurial drive” but by the need to secure a livelihood. The larger number of men than women wanting to work more hours may be due to the fact that women engage in more reproductive work than men do, and they simply would not have the time to work more, even if they wanted to. Of the vendors interviewed, 50 per cent reported working more hours and days before formalization, while 21 per cent reported working less. As noted by one of the vendors describing his routine before formalization, “we would start working at 4 or 5 am and by noon we would be out of merchandise. We would then travel to Guayaquil to get more merchandise and come back at night, so we would be ready to sell the next day. Sometimes, we would have to do it three or four times in the same week”. Having their own store with a roll-up lockable metallic door and storage space, gives vendors more flexibility in deciding their opening and closing hours and allows them to spend less time transporting merchandise and setting up the stall. It has also allowed them to leave the store in case of emergencies without having to worry about being burgled. In the past, once the stall was set up early in

the morning, the vendor would have to spend most of his or her time in the stall waiting for customers and protecting the merchandise.

The second dimension of security of employment refers to stability against external shocks and sudden loss of income. Almost 80 per cent of the vendors owned the store where they worked. As many as 64 per cent of the respondents reported having a fixed place from where they would sell their products before formalization and 66 per cent reported paying a regular fee, often to their associations, for the use of public space. Some vendors who registered with the municipality were also required to pay a monthly fee for the use of space but no vendor reported having to pay to the police. Although the payments were not high, vendors who did not pay faced eviction and maybe even violence. As explained by one of the vendors, “if you did not pay, the associations would get you out. Since we always needed to work, we always paid.” The majority of those who paid worked at the same fixed space for many years. The concepts of “ownership” and “property”, and the resultant stability also prevailed among most informal street vendors in the past. Most vendors surveyed reported working at the same location for most of their life. Associations used to paint the streets, indicating where each vendor that was a member could install and sell his or her products. Many of the vendors described the stalls where they used to work as their second home. As stated by one of the vendors, “when in school they asked me for my address, I would say Cuenca and Sucre, that was the corner where my parents had their stall ever since I can remember; basically, we (the children of vendors) grew up in those streets.” After years at the same location, and with the consent of the association, vendors who wished to move to a new location could sell their space to other vendors, provided the association that controlled that block accepted the new vendors as members. In sum, street stalls could be sold, bought and even inherited.

After formalisation, all vendors surveyed believed that they would continue to work at the same store during the next year, although none of them had insurance against either fire or robbery, for example. The expectation to continue to work at the same location might not be an act of reassurance but of resignation, as most of them did not expect to be able to find a different type of job. It emerged from the survey that the majority of vendors were not covered by any type of social security (i.e. health, pensions, retirement) – a reality faced by many Quiteños. As one vendor put it, “vendors in general, treat themselves every time they are sick.”

The third dimension is job security. The comparative advantage of many of the informal street vendors had not been based on their entrepreneurial skills, but rather on their low costs of operation and location in terms of convenient access for their customers. After formalisation, their costs of operation increased due to taxes and other overhead expenses. Only 7 per cent of vendors reported increases in income after formalization; whereas 85 per cent reported a decrease in income. Only 28 per cent of vendors expected their income to increase over the coming year. If these results are combined with the information on sales obtained by the Municipality of Quito through the raffles, it can be inferred that only a small group of vendors account for most of the increases in sales. Street and store vending belong to different occupational niches and require different types of skills and capabilities to succeed.

The fourth dimension, personal security at work, has improved with formalisation. At the time of the survey, 85 per cent of the vendors believed that the Ipiates Mires centre was secure (against, for example robbers, fire and harassment) while 50 per cent believed that it presented safety issues (e.g. physical health). The main reasons given for this perception of insecurity were stress due to the small amount of business activity, exposure to cold and excessive noise. At the same time, many of them recognized that

the working environment had improved considerably. Some of the vendors pointed out that when they were selling on the streets, they did not have easy access to toilets. Long and irregular working hours and eating on the streets every day had caused many of them to develop gastric, digestive and respiratory conditions. Having toilets available on each floor of the Ipiales Mires centre contributed to the overall hygiene of the workplace and added a certain level of comfort for the vendors. Overall, 71 per cent of vendors at the Ipiales Mires centre felt safer and secure there than on the streets, while none of them felt less safe and secure.

Fifthly, the dimension of skill reproduction covers the extent to which workers are utilizing the skills they already have while gaining new ones at work. Of the vendors surveyed, 35 per cent believed that their skills were not being fully utilized at work. This relates to the fact that many of them became vendors not by choice but out of need. As noted earlier, some of the vendors had high levels of education, but had not been able to find jobs in their areas of expertise. As a result, they had had to resort to informal street vending in order to survive. Most vendors reported having family members or friends that helped them learn how to become vendors. One of the vendors interviewed said, “Growing up as the child of a vendor exposes you to a totally different reality than the one experienced by a regular child. The child of a vendor is ‘street smart’. For instance, by the age of three, the child of a vendor already knows the value of money; if you ask any other children, they would not even know what money is.” The children of vendors usually help their parents at work, and some of them, eventually become vendors themselves.

After formalization, 92 per cent of the vendors received training related to their business. All training was provided by the Municipality of Quito through the UECM and almost 70 per cent received certification upon completion but most of them said they

had not been able to apply what they had learnt to their daily work. The main areas covered by the training provided were accounting, customer services and business planning. The majority of vendors interviewed reported that they had never kept separate accounting for their business and household – not even after formalization. As one vendor put it, “the flow of sales was so big and prices changed so much that we did not have time to write down anything.” Most of them used what we term “single pocket accounting”, which is basically keeping all money and receipts in one pocket and memorizing important expenditures both for the business and the household combined.

The sixth dimension is security of income and refers to keeping income flows adequate for the livelihoods of vendors. More than half of the vendors (52 per cent) believed that they earned more or less the same as other vendors in the other popular shopping centres. The majority of them (71 per cent) reported fluctuating sales throughout the year, especially during peak periods, such as Christmas and Mothers’ Day. Such fluctuations are common to commerce in general. Most vendors highlighted a reduction in sales and income since they had moved to the popular shopping centres. Of those interviewed, 35 per cent reported having another source of income during the previous month. The most common sources of extra income were: other business (37 per cent), pensions (37 per cent), remittances (12 per cent) and gifts (12 per cent).

Income and sales have a direct impact on family life. As reported by one of the vendors, “When sales are good, I buy a chicken to share with my family. I arrive home happy and we all cook together – everyone is happy to see me home. When I do not sell, I arrive home with little food and even though they do not say anything, I know it is my responsibility to provide for them, so I feel depressed.” Head of households, both men and women, are usually also heads of businesses, and just as they do not separate their

accounts, they do not separate their frustrations, with one area spilling over to the other. As a result, family life follows the business cycles for most of the vendors.

In terms of the seventh dimension, security of representation, formalization seems to have reduced the appeal of the associations. At the time of the fieldwork, only 21 per cent of the vendors surveyed reported being part of an association or organization of vendors, while 51 per cent reported being part of an association or organization of vendors before formalization. When asked which institution they approached when facing a problem at work, 91 per cent reported approaching the UECM office. Less than half of the vendors (42 per cent) reported knowing about the existence of associations or organizations of vendors operating in the Ipiales Mires centre at the time of the survey. Before formalisation, associations formed and grew over time based on geographical location and common interests and needs. Their main responsibilities were to protect and organize the use of space among the vendors, act as interlocutors between the vendors and the authorities and provide a socio-economic safety net in times of emergency. In addition, many associations provided vendors with security, electricity and cleaning services. Most vendors interviewed reported participating in the meetings of their associations back then. When the vendors started to move into the newly constructed commercial centres, efforts were made to assign them stores following more or less the same grouping patterns they had had in the streets; however, this was not accomplished, and as a result, organizations lost touch with their original base of members. In addition, many of the responsibilities assumed by the associations in the past were taken over by the UECM, such as organizing the use of common space and administering the rules for the market. Furthermore, many vendors expressed anger and frustration over the alleged corruption that took place among the leaders of the associations, who were accused not only of taking “the best” stores in the new centres, but also of owning more than one

store. As a result, many of the vendors no longer felt represented by their associations and believed they no longer served a useful purpose.

Table 3: Analysis of dimensions of decent work before and after formalization

Assessment of the seven dimensions of decent work before and after formalization		Analysis through the indicators of decent work
(1) Labour	Improved but still presents deficits.	<p>Vendors have a regular job but are usually exposed to fluctuations in the market that are beyond their control.</p> <p>Vendors work excess hours.</p> <p>Vendors are working fewer hours after formalization.</p>
(2) Employment	Improved but still present deficits	<p>Vendors own their stores.</p> <p>Most vendors have been working as vendors for most of their lives.</p> <p>Most vendors had a fixed location before formalization, which provided them with a sense of stability.</p>
(3) Job	Deteriorated	<p>Most vendors reported a decrease in income and one that fluctuates depending on the period.</p>

		They remain incapable of securing a niche in the market.
(4) Work	Improved	Overall levels of safety (health) and security (robberies, fire, etc.) improved for most vendors, especially safety
(5) Skills	Improved	<p>Most vendors had received formal training after formalization.</p> <p>The majority of them reported not using at work what they had learnt. As some of the vendors have high levels of education, for many there is still a mismatch of capabilities and work.</p>
(6) Income	Deteriorated	<p>Most vendors reported reduced sales and income.</p> <p>Most vendors reported fluctuations in sales and income.</p> <p>Some vendors reported having a second source of income besides the store.</p>
(7) Representation	Deteriorated	<p>Before formalization, associations had been created.</p> <p>Although some associations took advantage of vendors, many of them fulfilled important functions (e.g. security, health, mediation</p>

		among vendors). Most vendors remain sceptical about the importance of having representation.
--	--	---

7. Conclusion: Spaces lost, spaces gained

Over the past 60 years, the informal economy has played a crucial role in the overall economy of Ecuador, both in terms of job creation and its contribution to GDP. The rapid population growth concentrated in Quito and Guayaquil, compounded by rural-urban migration, accelerated the process of urbanization that resulted in an excess supply of labour. As both the government and the market failed to create a sustained demand for labour, the informal economy emerged as an alternative means of income generation, especially for the most vulnerable groups within societies. Over the years, some governments have shifted their policy stance, from efforts to reduce and control the informal economy to efforts to support its potential.

The declaration of the historic centre of Quito as Cultural Patrimony of Humanity by UNESCO in 1978 placed added pressure and responsibility on the Municipality of Quito to organize and administer the use of public space in the area. Informal street vendors were perceived as the main obstacle. The Plan for the Modernization and Reorganization of Informal Street Vendors approved in 1998 not only recognized the right of vendors to participate and benefit from the process, but also aimed at supporting their reorganization and relocation within the historic centre.

The reorganization of street vending meant significant changes in the way vendors lived their lives. Many informal street vendors did not manage to participate in the process,

and thus remained excluded both from the benefits of formalization and their main source of income, which was the commercial activity that used to take place at La Ipiales. Although the exact number of vendors in this situation is unknown, it is estimated that about 3,000 vendors were not members of any associations at the time of formalization. As associations were based on location, and ambulant vendors usually moved throughout the streets, most of them were not members of any vendors' association. As a result, most of them did not manage to register, to obtain a store at one of the centres or access training and support from the UECM. Further research about the consequences of formalization for this group is needed.

The analysis of the working and living conditions of vendors before and after formalization provided mixed results. While some dimensions of their working conditions have improved (i.e. labour, employment, work and skills use and upgrading), others have worsened (i.e. jobs, income and representation). Among the formalized vendors, two groups can be distinguished: a smaller group who fully benefited from the process and are better off now than they were before formalization, and a larger group of vendors that have accessed only some of the benefits of formalization. The first group is composed of growth-oriented vendors that had entrepreneurial capabilities before formalization and have seized on formalization as a unique opportunity. The second group comprises vendors that entered the informal economy in order to survive. They usually live on a day-to-day basis, earning incomes only a little above the poverty level, which sometimes are not enough to cover all basic needs. Prior to formalization, one of the pillars of their survival strategy was diversification of sources of income. After being moved to the popular commercial centres, they have had to work every day at the same location, which has limited their capacity for diversifying their sources of income and

adjusting to changes in demand. For them, the loss of mobility and sales shows mixed results in terms of vulnerability.

Hence, this study highlights two important aspects of the formalization process. The first relates to coverage: not all of the street vendors were included in the formalization process, although it affected all of them in their working and living conditions. The second point relates to the impact of having a formalized business. It is not obvious that the working and living conditions will automatically improve with formalization. While growth-oriented vendors have good chances of benefiting from formalization policies even though these do not provide much support through the transition from the stall to the store, survival vendors might be better off with policies that aim at supporting them in the long term.

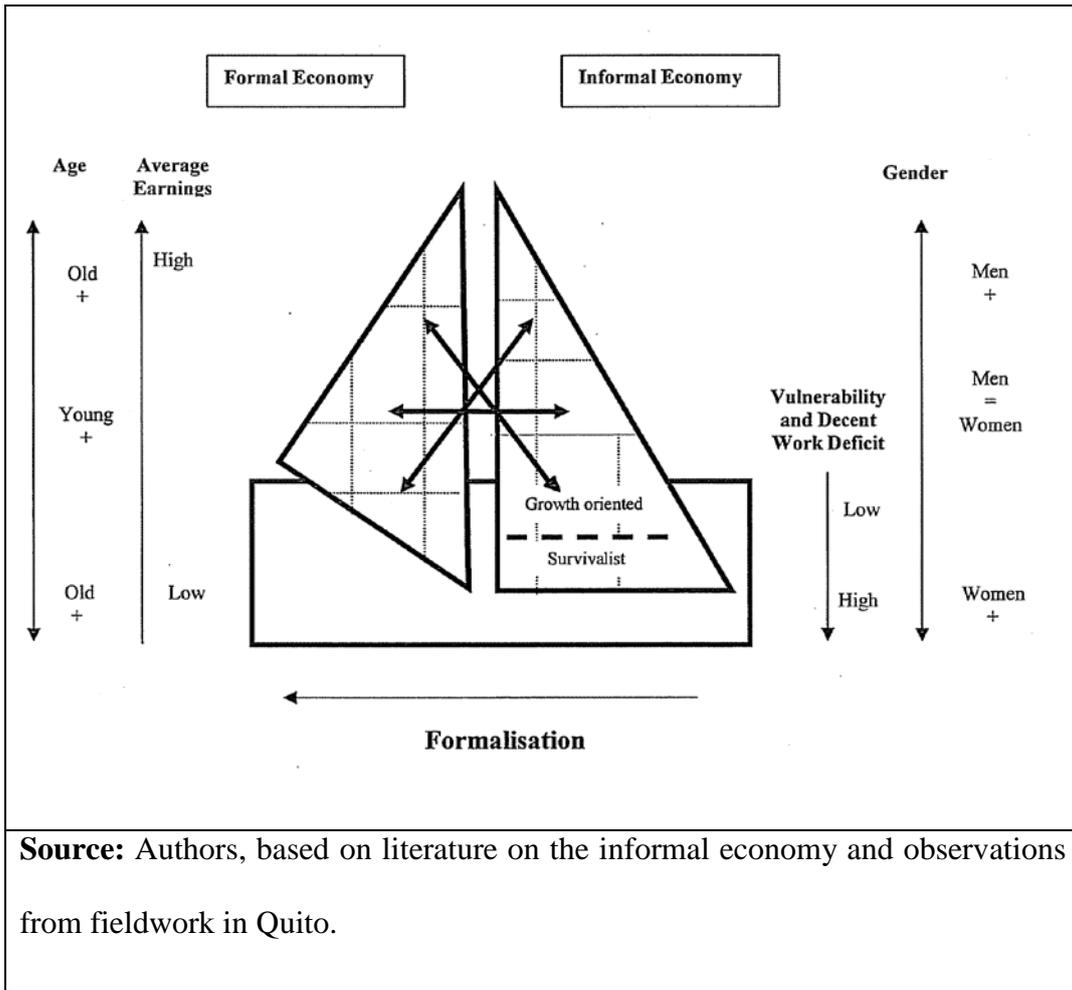
Figure 1 illustrates the process of formalization. The two triangles in the figure represent the existing jobs in the formal and informal economies. In the informal economy, most workers are located at the bottom, while in the formal economy most workers are at the middle of the triangle. Moving towards the top of the triangles, average earnings tend to increase and the opposite occurs towards the bottom. There tend to be more women towards the bottom of the triangles.

Both markets are segmented horizontally and vertically. Based on a distinction made by Rodgers (1989: 8), horizontal segmentation “denotes the separation of complete production systems, in which all labour has some common characteristics” (e.g. distinction between formal and informal sector), while vertical segmentation “involves the use of labour from different segments in a single production process” (e.g. large enterprise with both regular and casual labour). Both sectors of the economy are interdependent and interlinked, symbolized in the figure by the arrows connecting the segments of the two triangles. As explained by Chen (2006: 77), “Economic relations of production,

distribution, and employment tend to fall at some point on a continuum between pure ‘formal’ relations (i.e. regulated and protected) at one pole and pure ‘informal’ relations (i.e. unregulated and unprotected) at the other, with many categories in between.” The rectangle at the bottom of the figure represents the area of the labour market where workers suffer greater vulnerability risks and decent work deficits. Workers in the formal economy tend to experience better working conditions; however, flexibilization, globalization and macroeconomic policies implemented during the last few decades have exposed them to vulnerability and decent work deficits. Many among the “working poor” have a formal job and still earn less than is required to be above the poverty line, and thus, the rectangle also represents the risk of falling into poverty. As stated by the ILO (2002:4), “It is useful to adopt the view that formal and informal workers coexist along a continuum, with decent work deficits most serious at the bottom end, but also existing in some formal jobs as well, and with increasingly decent conditions of work moving up the formal end.” The figure therefore shows that formalization does not necessarily mean a reduction in vulnerability and decent work deficits; indeed, some workers at the bottom of the formal economy might experience similar decent work deficits and vulnerability as those in the informal economy.

Figure 1: The formalization process





Source: Authors, based on literature on the informal economy and observations from fieldwork in Quito.

8. References

- Bangasser, P.E. (2000). 'The ILO and the Informal Sector: An Institutional History'. Geneva: ILO.
- Brown, A. (2006). 'Challenging Street Livelihoods', in A. Brown (ed.), *Contested Space: Street Trading, Public Space, and Livelihoods in Developing Cities*. Cardiff: Cardiff University.
- Carrion, F. (2001). 'La Ciudad Construida - Urbanismo en America Latina' (The Constructed City - Urbanism in Latin America). Quito: Facultad Latinoamericana de Ciencias Sociales - FLACSO.
- Carrion, F. (2006). 'Balance del Proyecto de Sostenibilidad Social del Centro Historico de Quito'. Quito: FLACSO.
- Chen, M.A. (2005). 'The Business Environment and the Informal Economy: Creating Conditions for Poverty Reduction'. Paper prepared for the Committee of Donor Agencies for Small Enterprise Development at the conference on Reforming the Business Environment, 29 November–2 December, Cairo, Egypt.
- Chen, M.A. (2006). 'Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment', in B. Guha-Khasnobis et al. (eds), *Linking the Formal and Informal Economy: Concepts and Policies*. Oxford: Oxford University Press, pp. 75–92.
- Cross, J. and M. Karides (2007). 'Capitalism, Modernity, and the "Appropriate" use of Space', in J. Cross et al. (eds), *Street Entrepreneurs – People, Place and Politics in Local and Global Perspective*. Oxford: Routledge, pp. 19–36.

Freije, S. (2001). 'El Empleo Informal en America Latina y el Caribe: Causas, consecuencias y recomendaciones de politica', mimeo, Inter-American Development Bank, Washington DC.

Ghai, D. (2002). '*Decent Work: Concepts, Models and Indicators*'. Working paper. Geneva: ILO/ILS.

ILO (2002). '*Decent work and the Informal Economy*'. Geneva: International Labour Office, <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf>, last accessed June 2012

ILO (2007a). '*The Informal Economy*'. Geneva: ILO.

ILO (2007b). '*The Informal Economy: Enabling Transition to Formalization*'. Paper presented at the Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization'. ISIE/2007/1, Geneva

ILO (2007c). '*Decent work and the Transition to Formalization: Recent Trends, Policy Debates and Good Practices*'. Paper presented at the Tripartite Interregional Symposium on the Informal Economy: Enabling Transition to Formalization', Geneva, 27-29 November. Available online at: http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---safework/documents/publication/wcms_110314.pdf, last accessed June 2012

Kantor, P., U. Rani and J. Unni (2006). 'Decent Work Deficits in Informal Economy: Case of Surat'. *Economic and Political Weekly*, 41(21): 2089-2097.

Majid, N. (2001a). 'Economic Growth, Social Policy and Decent Work'. Geneva: ILO, Geneva.

Majid, N. (2001b). '*Economic Growth, Social Policy and Decent Work*'. ILO, Geneva. <http://ilo->

mirror.library.cornell.edu/public/english/employment/strat/download/ep19.pdf, last accessed June 2012

Middleton, A. (2003). Informal Traders and Planners in the Regeneration of Historic City Centres: the Case of Quito, Ecuador. *Progress in Planning* 59(2): 71-123.

Ocampo, J.A. and K.S. Jomo (2007). *Towards Full and Decent Employment*. Hyderabad: United Nations.

Perry, G., Maloney, W., Arias, O., Fajnzylber, P., Mason, A. & Saavedra-Chanduvi, J. 2007. *Informality: Exit and Exclusion*, Washington, DC, World Bank.

Portes, A. and R. Schauffler (1993). 'Competing Perspectives on the Latin American Informal Sector'. *Population and Development Review*, 19(1): 33-60.

Rakowski, C. A. (1994). *Contrapunto: The Informal Sector Debate in Latin America*. Suny Series in Power and Political Economy. Albany: State University of New York Press.

Rodgers, G. (1989) 'Chapter 1: Trends in urban poverty and labour market access', in G. Rodgers (ed.), *Urban Poverty and the Labour Market. Access to Jobs and Incomes in Asian and Latin American Cities* (pp. 1-33). Geneva: ILO

Standing, G. (2002). 'From People's Security Surveys to a Decent Work Index'. *International Labour Review*, 141(4): 441-454

Teltscher, S. (1994). 'Small Trade and the World Economy: Informal Vendors in Quito, Ecuador'. *Economic Geography*, 70(2): 167-187

Tokman, V. (2001). 'Integrating the Informal Sector into the Modernization Process'. *SAIS Review*, 21(1): 45-60. http://www.relooney.info/SI_Expeditionary/Shadow-Economy_27.pdf, last accessed June 2012

9. Appendix

List of interviews for this research conducted in August 2009, in chronological order

Researcher for the interviews: Sergio Ferragut

Alfredo Santillan, Coordinator of City Studies at the Facultad Latino Americana De Ciencias Sociales (FLACSO)

Luis Gonzales, Manager, PCC Ipiiales Mires

Gonzalo Ortiz-Crespo, Sociologist and former City Councilor of Quito

Colonel Luis Montalvo, Director, Unidad Ejecutora del Comercio Minorista (UECM)

Alejandro Lopez-Lamia, IDB

Rocio Estrella, ECH-INNOVAR

Jorge, 40 years old, taxi driver, former customer at La Ipiiales

Edgard, 37 years old, taxi driver, former customer at La Ipiiales

Vendors (real names of vendors have been changed to protect their identity).

Facundo (man, 35 years old), formalized vendor, PCC Ipiiales Mires

Santiago (man, 65 years old), formalized vendor, PCC Ipiiales Mires

Celeste (woman, 65 years old) and Francisco (man, 75 years old), formalized vendors, PCC Ipiiales Mires

Magdalena (woman, 60 years old), formalized vendor, PCC Ipiiales Mires

Granddaughter (woman, 28 years old) of formalized vendor, vendor, PCC Ipiales Mires

Group of ladies (3 women between 65 and 75 years old), formalized vendors, PCC Ipiales Mires