



Graduate School of Development Studies

**'FROM THE STALL TO THE STORE':  
THE FORMALIZATION OF STREET VENDORS IN QUITO, ECUADOR**

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## **List of Acronyms**

AZC	Administracion Zona Centro (Central Zone Administration)
CCAs	Centros Comerciales de Ahorro (Popular Comercial Centres)
DMPTSP	Direccion Metropolitana de Planificacion Territorial y Servicios Publicos (Municipal Direction of Planning and Public Services)
ECH	Empresa para el desarrollo del Centro Historico (Company for the Development of the Historic Centre)
FONSAL	Fondo de Salvamento del Patrimonio Cultural (Heritage Rescue Fund)
IDB	Inter-American Development Bank
INNOVAR	Empresa de Desarrollo Urbano de Quito (Company for the Urban Development of Quito)
MDMQ	Municipio del Distrito Metropolitano de Quito (Municipality of the Metropolitan District of Quito)
PSSs	People's Security Surveys
UECM	Unidad Ejecutora del Comercio Minorista (Implementing Unit of the Modernization of Informal Street Vending, MDMQ)
UNESCO	United Nations Educational, Scientific and Cultural Organization

## **Abstract**

In 2003, after many years of back and forth negotiations, about six thousand five hundred informal street vendors were relocated from the streets, sidewalks and squares of the Historic Centre of Quito (HCQ) into eleven Popular Comercial Centres (Centros Comerciales de Ahorro - CCAs) built and conditioned by the Municipality of Quito (MDMQ), with support from local and international institutions. This process of formalization started in 1998 and concluded in 2003 when the vendors moved into the CCAs.

It is recognized that the informal economy plays an important role both in terms of jobs created and in contribution towards GDP in many developing countries. At the same time, it is important to consider that vulnerability and decent work deficits tend to be more persistent in the informal economy. In theory, formalization should improve the working and living conditions of workers. Decentralization policies implemented in Ecuador during the 1990s empowered the MDMQ to take a leading role in the process of local development taking place at the HCQ. As part of that process, the MDMQ undertook the formalization of informal street vendors.

Through the lenses of decent work, this research examines the extent to which formalization has altered the different dimensions of the working and living conditions of vendors. Fieldwork included pictures of the 'Ipiales Mires' (CCAs), interviews with representatives from the main organizations that participated in the process and a survey among vendors working at the 'Ipiales Mires'. The information gathered in the survey was complemented by first-hand interviews with vendors.

The outcomes are mixed, as formalization has meant both increases and decreases in the different dimensions of the working and living conditions of vendors. In the end, many among the vendors remain at the bottom of the informal economy, where vulnerability and decent work deficit are still present. In this context, local government have a key role to play in ensuring that all actors are included in processes of local development.

## **Keywords**

Formalization / street vendors / informal economy / decent work deficits / local government / Quito (Ecuador)



## Chapter I

### INTRODUCTION

In an article published in 2008 by Ortiz-Crespo, the Ecuadorian sociologist and former member of the City Council of Quito describes how the presence of *informal street vendors* in the sidewalks, squares, and streets of the Historic Centre of Quito (HCQ) increased dramatically during the period 1950 to 2003. That observation coincided with the fact that the informal economy started to grow consistently since the 1950s and continues to do so up to our days. Currently, in Ecuador and the rest of Latin America, the informal economy is estimated to employ some 75 percent of workers and contribute to 40 percent of the total GDP generated in the region (Ilo 2007b: 5). Throughout the second half of the twenty century the unorganized and unplanned expansion of the informal economy in general, and of informal street vending in particular, has made local governments throughout Latin America unable to integrate informal activities into the formal economy and overall process of local development. One of the main issues associated with the unplanned and unorganized growth of informal street vending is thus, the *administration of public spaces*, traditionally entrusted in Latin America to the municipal governments, within the framework of national plans.

*Decentralization and privatization policies* implemented in Ecuador during the 1980s and 1990s, resulted in changes at the institutional level and the emergence of new forms of partnerships with the private sector, civil society and international institutions. The new approach of the municipality contributed to creating an enabling environment in which all actors were able to articulate their interests and concerns, thus, aligning them into a single framework captured by the different Plans and Projects implemented over the years. These circumstances empowered the Municipality of Quito (Municipio del Distrito Metropolitano de Quito – MDMQ) to take a leading and central role in the formalization of almost six thousand and five hundred informal street vendors.

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 was identified as the most appropriate. While formalization targets the individual and his or her business unit, it also concerns the sphere of the household. The livelihood approach, for instance, would be useful if the analysis was departing from the household; but for the purpose of this research, the departure point is the vendor himself. The decent work deficits approach, allows for a broad understanding of the working conditions that goes beyond levels of income, and is complemented with information gathered through semi-structured interviews that seek to understand the living conditions of the workers.

#### **1.2 Problem statement**

Informal street vendors are a very heterogenous. Considering that, the objective of this study is to evaluate the extent to which the formalization process has altered the working and living conditions of informal street vendors with different socio-economic backgrounds and entrepreneurial capabilities.

### **1.3 Relevance and justification of the study**

Informal street vending is a common and expanding activity around the world, and in particular, in Latin America. As governments seek to move away from a posture of control and regulation towards unveiling and capitalizing the potential within, it is important to learn from processes such as the one that recently took place in Quito.

### **1.4 Research objectives**

This research has two objectives:

- 1) Understand how formalization has altered the working and living conditions of formalized street vendors.
- 2) Understand the role played by the local government (municipality) in this process.

### **1.5 Hypothesis**

Formal self-employed workers enjoy better working and living conditions than informal ones. Formalization should then improve working and living conditions of vendors. As noted by the ILO, “formal and informal enterprises and 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” (ILO 2002: 4).

### **1.6 Research questions**

To what extent did formalization alter the working and living conditions of informal street vendors in the HCQ?

### **1.7 Sub-questions**

How did formalization alter the different dimensions of *Decent Work* (working and living conditions) of vendors?

How has formalization affected the living conditions of vendors with different socio-economic backgrounds?

Why have some vendors benefited more (or have done better) than others?

### **1.8 Limitation of the research**

- The samples for the interviews and surveys were not large enough to be representative of the entire population of formalized street vendors. That type of study would have required more time and resources.

## **1.9 Methodology, data collection and analytical framework / instruments**

This research relied both on 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. Fieldwork was conducted during August of 2009 and included first-hand observations, pictures, a survey and interviews.

Using the theoretical framework provided by the Decent Work Deficit, a survey was conducted among fourteen vendors now working at one of the commercial centres where vendors have been relocated after formalization. Given that the decent work deficit's framework has not been extensively used at the micro level, one of the challenges of this research was to operationalize the concept and redefine the indicators so that they may be used for measuring the particular deficits of vendors before and after formalization. In addition, previous studies have reached the worker through the household while this research did so through the place of work. Most indicators used by the ILO and other researchers so far have been included in the survey; in addition, further indicators have been developed in order to complement and broaden the understanding of the case of study.

Reflecting on how to evaluate decent work at the micro level, Standing notes that “the survey design is an evolving one, and the temptation to say one particular design is a ‘best-fit’ model should be resisted” (Standing 2002: 443). In other words, tools to evaluate decent work at the micro level need to be developed taking into account local conditions and particularities of the society and sector being studied. Taking the above into consideration, the final version of the survey used for this research was finalized after having visited the market selected for this study and informally spoken with some of the vendors. The objective of this strategy was to include indicators that were most relevant to the ‘reality’ of vendors and avoid making preliminary assumptions that would have limited the overall capacity to understand their overall working and living conditions.

Fourteen first-hand interviews were conducted; five of them with representatives from the main organizations involved in the negotiations that resulted in the formalization of the street vendors (i.e. Municipality of Quito, IDB, ECH / Innovar, UECM and the Administration of the ‘Ipiales Mires’). The nine other were among vendors that took part in the formalization process, now selling their products in the ‘Ipiales Mires’. Three of the vendors were interviewed as part of a focus group while the rest were interviewed individually.

The interviews with the actors aimed at understanding the different roles they played in the process. The interviews with the vendors focused on finding relevant information regarding changes in their working and living conditions that complemented the information gathered through the survey.

## Chapter II

### INFORMAL ECONOMY AND FORMALIZATION

#### **2.1 Introduction**

The following chapter reviews the reasons for the emergence of the informal economy in Latin America and the evolution of its characterization. It also presents the actors that participated in the process of formalization of the vendors and the role they played, particularly, the local government. Part of the information presented through this chapter resulted from interviews that took place during August of 2009 among the main organizations that participated in the formalization of the vendors<sup>1</sup>.

#### **2.2 The emergence of the informal ‘sector’ in Latin America**

The principle reasons for the emergence and growth of the informal sector have been widely discussed. As Freije sustains, although the academic community has not been able to agree on a common definition for the informal activities, they have agreed in that the causes for its existence are: a) norms and regulations, and b) macroeconomic policies (Freije 2001: 2). Authors, such as Portes and Schauffler, complement Freije’s statement; they sustain that the fundamental reasons for the emergence of the informal sector in Latin America were the accelerated *rural-urban migration* and the *labor surplus* generated in the cities (Portes and Schauffler 1993: 33).

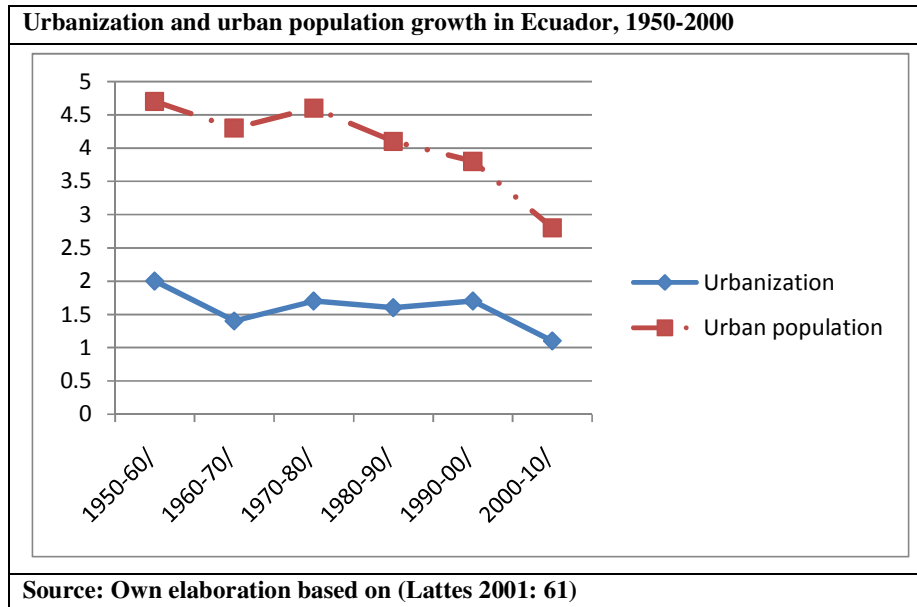
During the 1950s and 1960s, Latin American countries concentrated their efforts into modernizing and rationalizing the internal modes of production, which took the general form of Import-Substitution-Industrialization (ISI) policies and contributed to the acceleration of urbanization. As industrialization reached rural areas, labor became obsolete and many people had no other choice but to migrate to cities in search of jobs. Policies implemented during these years coincided with a rapid growth of the population, which averaged 4.1 percent a year between 1950 and 1980 (Portes and Schauffler 1993: 35)<sup>2</sup>. This rapid population growth, concentrated in the cities, resulted in large sectors of the labor force not being able to find jobs in the ‘formal’ economy. As noted by Bangasser, “there were fewer ‘modern’ jobs than there were people wanting to fill them” (Bangasser 2000: 4).

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<sup>1</sup> See Appendix 3, List of interviews

<sup>2</sup> See Figure 1.

Figure 1



The policies of governments around Latin America during the 1950s and 1960s were influenced by authors such as Rostow, who argued that embracing *modernization* was key for achieving development (Rostow 1960: 12). The model of modernization assumed that “with the right kind of macroeconomic policies, supporting institutions and enough development assistance resources, generating a sustained growth of per capita incomes was a technically feasible objective and attainable within an acceptable time frame,...if the political will was there” (Bangasser 2000: 3).

The actor expected to ‘drive’ this process was the state, in charge of *planning* and *coordinating national* efforts aimed at accelerating economic growth. Planning, involved identifying potential leading industries and sectors that could benefit from new production techniques and investment. In this context, ‘formal’ jobs were those jobs created as part of the ‘plans’. It was expected that once the leading industries integrated into the modernization process, the benefits would *trickle down* to all other sectors in the economy, and ultimately, to all members of society.

In 1972, the term ‘*informal sector*’ was first introduced by Keith Hart in a report for the ILO, to describe the area of work of wage earners and self-employed persons that were employed outside of the formal sector economy (Hart 1972: 5). In that report, Hart characterized the informal sector as one with: a) easy entry, b) reliance on indigenous resources, c) family ownership of enterprises, d) small scale of operations, e) labour-intensive and adapted technology, f) skills acquired outside the formal school system, and g) unregulated and competitive markets (Hart 1972: 6).

As explained by Tokman, the ILO conceptual interpretation of informality was defined in opposition to formality and on the basis of the lack of access of the population to the market and productive resources” (Tokman 2001: 46). This approach became to be known as the *Dualistic* approach, where the formal and informal sectors have almost no links with each other and theoretically represent almost two opposite parts of the economy. Policies

influenced by the dualistic approach focused mostly on assisting “small-scale enterprises to generate not only employment but also autonomous economic growth” (Moser 1994: 12). As noted by Portes and Schauffler, “informal enterprises were not depicted as a diverse and promising manifestation of popular ingenuity but were interpreted as a simple survival mechanism” (Portes and Schauffler 1993: 39).

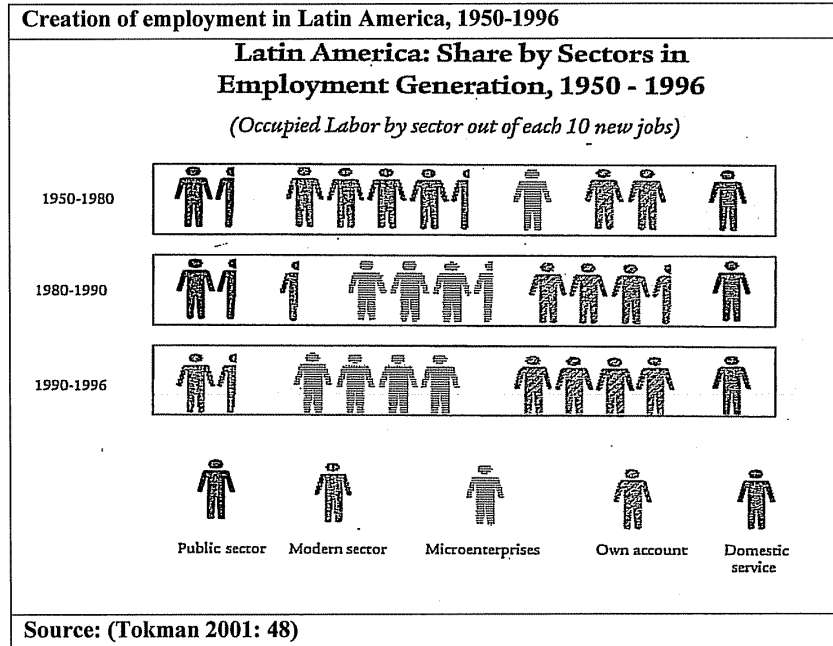
A few years later, and to some extent as a reaction to the Dualistic approach, a new understanding of the informal sector emerged, the *structural or modes of production approach*, which rejected the dualistic vision of the economic system and emphasized the ways in which the various parts of the economy relate to each other (Gilhuis 1988: 16). In particular, they focused on the analysis of the modes of production within the capitalist system and the subordinations that occurred within it. The structuralist characterized the informal sector as a “subordinate, dependent, small-scale production form, where the owner of the means of production produces for the market” (Teltscher 1994: 170). The structural approach described street vending activities as part of petty commodity production, which in Marxist terms is a step between feudal and capitalist modes of production. This conceptual framework resulted in that, “large capitalist producers were frequently equated with formal enterprises and small petty producers with informal sector workers” (Teltscher 1994: 170).

Despite the conceptual differences provided by the different approaches, it is clear that by the end of the 1970s, the informal sector had been identified; however, its characteristics and links with the formal economy were subject of continued debate. As explained by Teltscher, both schools of thought perceived those working in the informal sector to be a homogenous group composed mainly of poor people that resorted to the informal sector due to their lack of capacity to enter the formal one (Teltscher 1994). This perception influenced not only the understanding of the informal sector by researchers but also the policies that were implemented by governments and organizations to address it. If informal street vendors were perceived as a homogenous group, then, it would be logical to expect ‘one size fits all’ policies to be prescribed for them.

### **2.3 The growth and relevance of informal street vending in Latin America**

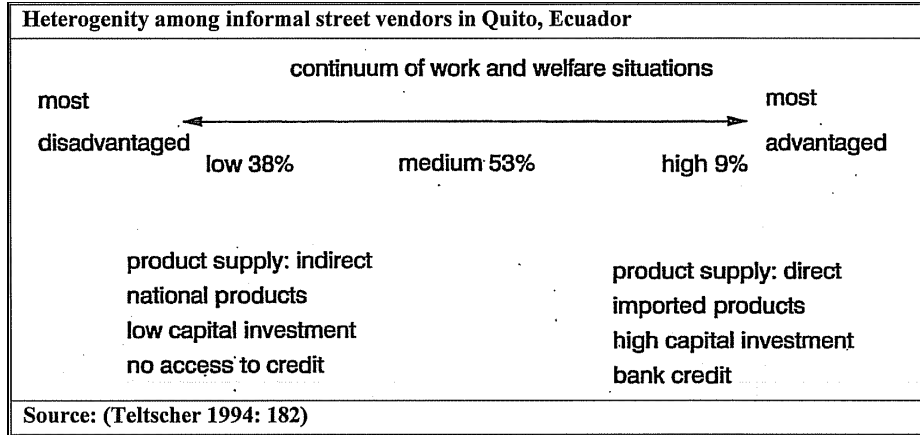
In Latin America, during the second half of the XX century, the informal sector created jobs and business opportunities at a faster rate than the formal one, accommodating in that way the growing excess supply of labor that resulted from fast growing populations, rural-urban migration, and macroeconomic policies. As explained by Ocampo, macroeconomic policies implemented in Latin America through the second half of the XX century “have led to a decrease in the demand for labour in developing countries, causing growth in the the labour force to exceed growth in the demand for labour” (Ocampo and Jomo 2007: 3). Victor Tokman points out that, as shown in Figure 2, “between 1950 and 1980, approximately four out of every ten new jobs were created by the informal sector” (Tokman 2001).

Figure 2



During the 1990s Susan Teltscher broke the mold by suggesting that Quito’s informal street vendors were a heterogenous group based on their linkages to capital and product, which determine relative levels of profits and socio-economic wellbeing. Figure 3 (below), represents “the heterogeneity in the informal trade sector based on enterprise-level data, defined by the nature of product and capital linkages between small trade and the overall economy” (Teltscher 1994: 182). In addition, she established that some of the informal street vendors decided to become so in order to survive while others did so by choice, thus disproving some of the assumptions that characterized the informal sector previously, especially its characterization as ‘survivalists’. As noted in more recent studies, “vendors can maintain an economic existence that ranges from basic survival to middle class existence” (Cross and Karides 2007: 29).

Figure 3



Shortly after Teltscher studies, Portes and Schauffler found that “owners of micro enterprises and some of the self-employed earn significantly more than salaried workers in the formal sector” (Portes and Schauffler 1993: 45). These findings explained why a rational person would choose to become ‘informal’ rather than ‘formal’.

Close to the end of the 1980s, an alternative explanation for the existence of informality that challenged the studies carried before emerged, *the legalist*. In De Soto’s renowned ‘The Other Path’, he argues that the growth of the informal sector in Peru and Latin America was the result of ‘bad’ legal and regulatory frameworks put in place by governments in order to favor and benefit from the ‘formal’ activities performed by urban elites in detriment of the ‘informal ones’ performed by the poor majority (Soto 1989). In his view, in all its heterogeneity, informal workers were as creative and efficient as the formal ones but their potential was constrained by the existing legal and regulatory frameworks (Soto 1989). As sustained by Cross, “as the state’s regulatory system expanded to encompass every aspect of economic activity in order to regulate and order the relations between owners, employess, and consumers, it became more and more difficult for the poor, in particular, to establish businesses that met the varied and complex regulatory environment” (Cross and Morales 2007: 7). De Soto argues that the informal sector “would thrive with less regulation, strengthening of private property rights and abolition of state intervention” (Brown 2006: 5).

The works of De Soto and Teltscher contributed to challenge many of the existing assumptions about the informal sector and to provide better tools for the understanding of informal street vendors’ needs and interests. Establishing the heterogeneity of the informal sector and its links with the formal one opened the door for the realization of its importance and potential. As sustained by Cross, “the global transformation from a modernist economic and political paradigm, where street vendors and the informal sector were seen as survivalist, inefficient and parasitic, to a post-modern economy where capital is free to move around the globe, has impelled a reclassification of the informal economy as a source of growth and flexibility” (Cross 2000: 31).



## 2.4 Informal street vendors as an ‘obstacle’ to development

Quito went through a similar process of urbanization as other cities in Latin America. As the urban population grew, the formal economy was unable to create enough jobs to accommodate the excess supply of labor. In order to survive, a large portion of the population resorted to informal activities. Historically, street vending has been present in the streets of Quito; however, as pointed out by Ortiz-Crespo, the number of street vendors started to increase rapidly since the 1950s. As sustained by Middleton, “the streets and squares of the centre were the key commercial areas for all, and this was to remain the case through the early years of planning and into the second half of the XX century” (Middleton 2003: 77). As the city grew, and the labor surplus increased, the number of street vendors gathering in the centre’s main squares and public spaces increased, creating congestion and other problems for the authorities and residents of the area.

The logic for the informal street vendors was simple; they tried to develop their economic activity close to the centre of the city where other economic activities were also taking place, taking advantage of location and low operational costs that allowed them to offer low prices. As sustained by Cross, since street vending takes advantage of public space and minimizes overhead costs on rent and utilities, it is ideally suited for informal growth” (Cross and Karides 2007: 29). This conceptualization of the appropriate use of public space contradicts the perception of “middle and upper class elites who see street stalls as an infringement of ‘their’ right to use public space” (Cross and Karides 2007: 15).

As the process of urbanization accelerated during the second half of the XX century, the demographics of the HCQ changed. The elites, which since the foundation of the city lived and conducted their businesses in the HCQ, progressively moved out of the centre towards the more spacious suburbs in the northern part of the city leaving residences open for low-income families to occupy<sup>3</sup>. Together with the elites, many commercial activities moved to the northern part of the city creating a new centre for the city, the urban centre. As noted by Carrion, during the second half of the XX century, as it happened in most other Latin American cities, Quito expanded towards its periphery, while close to the end of the century, it expanded towards its centre (Carrion 2001: 7).

As many of the newly arrived migrants did not manage to find jobs and secure access to decent incomes, the houses in which they lived became overpopulated, resulting in the rapid deterioration of property and infrastructure in the HCQ (Carrion 2006: 2). As a result of this process of rapid deterioration (tugurisation), the HCQ became an area of contrasts, where the elites and the government conducted their businesses and the poor lived. Over time, as the planners were unable to create enough formal jobs for everyone, the majority of the poor were forced to seek a livelihood in the informal economy, many of them as vendors.

The socio-economic and demographic changes that the HCQ underwent during the second half of the XX century led to the emergence of conflicts over the use of public space. Formal activities were associated with the elites and the government officials that still worked in the area, while informal activities were associated with the poor that over time became the visible majority. Informal street vending was perceived as “backward, inefficient, and detrimental to

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<sup>3</sup> See Appendix 2, Map of the Historic Centre of Quito.

national development” (Cross and Morales 2007: 6), clearly opposing the vision and policies that the planners of the city and the elites supported.

In 1978, the HCQ was the first place in the world to be declared Cultural Patrimony of Humanity by the UNESCO. This declaration was the result of “a movement that aimed at revalorizing the historical patrimony, initiated by the local authorities and the local society that has resulted into the generation of a platform for its rehabilitation, after a process of deterioration” (Carrion 2006: 1). As this process unfolded, space in the HCQ became a scarce and valuable resource. It also prompted the municipality to organize its use in a way that would allow all actors in the area to benefit from this process of development in the long-term.

During 1980s, debt and fiscal crises directly contributed to the continued deterioration of the HCQ. Large sums of money that became available after the oil boom during the 1970s, were used to further develop the new urban center in the northern part of the city. In 1987, an earthquake increased the deterioration of infrastructure, houses, buildings and monuments in the HCQ. In response, and in order to capitalize from the UNESCO’s declaration of 1978, the MDMQ decided to formulate a Plan to intervene and recover the area. The municipal intervention had different dimensions: a) designing a *Master Plan* to develop the area, b) designing financing mechanisms, c) building institutions that would articulate the development of the area, and d) development of specific projects that included the relocation and reorganization of ambulatory commerce and street vending (Carrion 2006: 2).

The initiative to renovate the HCQ was supported by the national government of Ecuador and in 1988 a law was passed to create the Heritage Rescue Fund (Fondo de Salvamento del Patrimonio – FONSAL), managed by the MDMQ. These funds served to construct infrastructures and restore historical buildings, squares and monuments. One of the first problems identified by FONSAL was that many of the historic spaces were used by informal street vendors, who in some cases contributed to their deterioration.

By the mid-1990s, the authorities could hardly overlook the existence of the informal sector, yet its presence was still perceived to be an obstacle to the overall process of development.

## **2.5 Informal street vendors as part of the ‘solution’**

The negative perception of informal street vendors in the 1990’s is not unique to Ecuadorians; as Brown argues, “in most countries street vending is unaccounted and unrecognized, and often viewed as an underground activity that undermines the healthy functioning of the formal economy” (Brown 2006: 8). Based on this preset, negative perceptions filtered into the attitude policy makers and authorities had towards informal street vendors during most of the 1980s and 1990s. Instigated by a statistical study performed by the Inter American Development Bank (IDB), estimates placed the informal sector employment level at 50 percent of the urban population; among them, 69 percent as ‘self-employed’, which mostly include informal street vendors (Freije 2001: 39). A census carried by the MDMQ in 1991 confirmed that ten thousand informal street vendors worked in the HCQ (Carrion 2006: 2). These findings allowed policy makers to realize the size and importance of the informal sector in the context of the HCQ.

During the 1990s the conceptualization of the informal economy changed, and its potential contributions towards the growth of economies was first reassessed and then recognized. As a result, the debate shifted “away from an expanding informal sector as a problem for development (or an indicator of the failure of development paradigms) to an emphasis on the informal sector as an asset or solution to economic crisis and poverty” (Rakowski 1994). This shift however, was not as smooth as desired. By the end of the 1990s, negotiations between the MDMQ and the vendors had deteriorated to the extent that in several occasions the government threatened the vendors with using force to remove them from the area showing lasting tensions between the different groups.

In an interview with the Director of the UECM, Colonel Luis Montalvo noted how the MDMQ came to recognize by the end of the 1990s that informal street vending was a reaction to adverse economic circumstances beyond the control of the vendors and was an honest way of earning an income that would allow them to survive<sup>4</sup>. Despite these findings and overall understanding of informal street vending, many in Quito still perceived the vendors as the ‘main problem’ for the development of the HCQ. In 1996, the municipality conducted a study among the vendors that 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). This findings confirmed similar conclusions presented by Teltscher in a study published in 1994 (Teltscher 1994).

In 1996, the MDMQ created a public-private enterprise (Empresa de Desarrollo del Centro Historico – ECH) in charge of implementing the Master Plan for the renovation and development of the HCQ approved in 1992. In addition to being entrusted with the implementation of the Master Plan, the ECH also served as a platform to attract funding from different sources. The ECH had many characteristics of both the public and the private sector, which facilitated its capacity to finance its operations with funds raised at the local, national and international levels. It facilitated access to international mechanisms of financing while also introduced the ‘private sector efficiency’ in the process.

The biggest portion of the financing for the ECH came from a loan from the Interamerican Development Bank (IDB), who contributed forty one million dollars, out of the total planned investment of fifty one million (Carrion 2006: 6). The ECH progresivly grew to encompass many areas of responsibility beyond its original mandate, such as public transportation and building of housing for the poor. In 2005, the ECH became the Enterprise for the Urban Development of Quito (Empresa para el desarrollo urbano de Quito – INNOVAR). Now, as a result of changes within the local government<sup>5</sup>, INNOVAR is being liquidated and all its responsibilities would be absorbed by different offices within the MDMQ. Other instutions and organizations, such as the FONSAL and the European Union (EU), also contributed funds for the ECH. The contribution of the IDB aimed at supporting the *integral rehabilitation of the HCQ*, as articulated in the Master Plan approved in 1992. This new approach to the rehabilitation of the HCQ not only recognized the cultural and historical value of the area, but also placed special importance on its residents and those that earned a living on it (e.g. the informal street vendors).

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<sup>4</sup> Interview with Colonel Luis Montalvo, Director of the UECM, August 2009.

<sup>5</sup> In 2009, Augusto Barrera Guardera from the Social Democratic party, was elected Mayor of Quito.

In 1998, with the election of Roque Sevilla<sup>6</sup> as Mayor of Quito, there was a clear shift in the approach of the authorities towards the vendors. During his mandate, the *Plan for the Modernization and Reorganization of Informal Street Vendors* was approved (Middleton 2003: 107). The new plan reflected the new approach of the municipality and reinforced the vision of an integral development of the HCQ, making special emphasis on providing *informal street vendors* with proper spaces to conduct their business. Between 1998 and 2000, efforts to address the reorganization of informal street vendors were undertaken by different actors within the MDMQ, mainly the ECH and the AZC<sup>7</sup>. Although the ECH was responsible for implementing the Master Plan, the AZC was the institution in charge of negotiating with the vendors on a daily basis. In 1998, the construction of the Popular Commercial Centres (Centros Comerciales de Ahorro - CCAs) were to relocate the vendors within the HCQ began<sup>8</sup>.

In 2000, General Paco Moncayo<sup>9</sup> was elected Mayor of Quito, and one year later, created a new unit within the MDMQ, the Unit for the Implementation of the Plan for the Modernization and Relocation of Informal Street Vendors (Unidad Ejecutora del Comercio Popular – UECM). Besides coordinating the efforts of different actors to reorganize and modernize informal street vending, its main function was to negotiate with the informal street vendors represented through their associations and organizations. At the same time, the UECM was in charge of overseeing the construction of the CCAs where the vendors were to be relocated<sup>10</sup>. The local authorities acknowledged that not all the leaders of the associations represented the best interests of the informal vendors; however, they realized that it was unrealistic to negotiate with each vendor directly. 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). Once the vendors moved into the commercial centres, the UECM became responsible for administering the centres and supporting the vendors in their transition ‘from the stall to the store’<sup>11</sup>.

## 2.6 Local government and formalization

Prompted by the *decentralization* policies operating at the government level during the 1990s, the organization of the local governments throughout Ecuador changed. These changes were aimed at transferring power and responsibility to the lower levels of government. The decentralization law, approved in 1994, created a new tier of local government between the citizens of Quito and the municipality, the Zonal Administrations<sup>12</sup>. Falleti defines decentralization “as a process of state reform composed by a set of public policies that transfer responsibilities, resources, or authority from higher to lower levels of government in the context of a specific type of state” (Falleti 2005: 328). Two main patterns of decentralization

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<sup>6</sup> Roque Sevilla, from the Popular Democracy party, was Mayor of Quito from 1998 through 2000.

<sup>7</sup> See Figure 4, Map of Actors.

<sup>8</sup> Interview with Gonzalo Ortiz-Crespo, Former City Councilor, August 2009.

<sup>9</sup> General Paco Moncayo, from the Social Democrats Party, was the Mayor of Quito for two consecutive terms, between 2000 and 2008.

<sup>10</sup> Financing for the operations of the UECM came from the ECH for 2001-2005 and from FONSAL for 2005-present.

<sup>11</sup> Interview with Colonel Luis Montalvo, Director of the UECM, August 2009.

<sup>12</sup> A total of eight Zonal Administrations were created as a result of the decentralization law approved in 1994.

can be identified: 1) intergovernmental, from central/federal to local/state tiers of government, and 2) from governments to market and non-governmental organizations (Bennett 1990: 1).

In the past, local governments were expected to be passive providers of municipal services while other actors, such as the private sector and the central government, were at the driving seat in the process of development. Increasingly, local governments have been expected to maximize social development and economic growth, to help ensure that local economic and social conditions are conducive to the creation of employment opportunities, to take a leadership role, involving citizens and stakeholder groups in the development process and to build social capital and generate a sense of common purpose to find local solutions for sustainability (Nel and Binns 2001: 357).

As local governments are often faced with limited resources, it is in some cases unrealistic that all these objectives are accomplished. In order to do so, local governments are required to maximize the utilization of local resources by promoting and establishing mechanisms for coordination and cooperation among local actors. As sustained by Helmsing, “the role of the government is to facilitate and regulate the overall framework within which other actors can make their most effective contribution” (Helmsing 2001: 1). On the one hand, decentralization policies have empowered the MDMQ to take a leading role in the process of development<sup>13</sup>. At the same time, the lack of resources has forced the MDMQ to look for new ways of performing its functions through partnerships with the private sector, international organizations and civil society. In the context of Quito, “it was argued that the planners must take on board the idea that they do not only have control functions, but also developmental and enabling functions” (Middleton 2003: 102). In sum, the last twenty years have witnessed a type of local government that in order fulfil its new role while adapting to its limitations, has become both developmental and enabling.

## **2.7 Informal street vendors’ participation in the integral rehabilitation of the HCQ**

As the approach from the municipal authorities changed, the willingness to negotiate on the part of the informal street vendors increased. Recognition of the right to be included in the process of development by the authorities was accompanied with support for the integral process of rehabilitation of the HCQ by the vendors. An important step in this direction was the completion of the registration process of all vendors, a process that started in 1991 but that was only completed during the final stages of the negotiations<sup>14</sup>. This was a key aspect of this process of formalization because only those vendors that were registered were entitled to receive a store in the CCAs. The registration process was undertaken by both the associations representing the vendors and the MDMQ. Although the MDMQ tried to pressure the associations in order to make sure that only ‘real vendors’ registered for the new stores, many have denounced wide corruption taking place within the associations at this stage of the process<sup>15</sup>. The most common form of corruption was to add the names of friends or relatives of the leaders of the associations to the lists of registered vendors. As stores in the CCAs have

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<sup>13</sup> See Figure 4, Map of Actors.

<sup>14</sup> The census was carried by the Universidad Catolica and concluded that there were a total of ten thousand informal street vendors in the HCQ.

<sup>15</sup> Interviews with vendors, August 2209

a value, some leaders of the associations speculated with it and ended up owning more than one store<sup>16</sup>.

A total of 96 trader associations participated in the negotiations on behalf of the informal street vendors, regrouped mostly based on their geographical location and common interests rather than on ideology. Together, they represent a total of five thousand six hundred traders (Middleton 2003: 96). These organizations were registered with the Ministry of Social Welfare as charitable legal entities, which gave them legitimacy in front of the authorities and the vendors. The associations acted as the interlocutors during the process of formalization between the vendors and the MDMQ, monopolizing to some extent, the main channels of communication and information in their favour. In order to address this issue, the MDMQ organized several open meetings to inform and dialogue with all vendors directly<sup>17</sup>.

Under different arrangements, the MDMQ built and refurbished a total of eleven CCAs<sup>18</sup> where the formalized street vendors have been relocated since 2003. In addition to addressing physical infrastructure deficiencies, the MDMQ supported greater access to credit<sup>19</sup>. As explained by Middleton, access to property rights completely transformed the relationship between the authorities and the vendors, introducing, for the first time, the idea that the vendors had rights as well as obligations (Middleton 2003: 105).

Long negotiations between the associations and the municipal authorities endured; by June of 2003, all the 'formalized' street vendors had moved into the CCAs. As explained by Middleton, the solution required that planners changed their approach from one of 'control', to one which promoted an 'enabling environment' (Middleton 2003: 101). By providing the vendors with training after moving into the centres, the MDMQ ensured that all actors have the tools and capacities required to benefit from the process. During the negotiations it was agreed that the CCAs would be first managed by the UECM, and eventually, that responsibility would be transferred to a body representing the vendors (Middleton 2003: 117). As previously mentioned, from 2003 through the present, the UECM has been in charge of the management and administration of the CCAs. Besides overseeing daily functioning of the centres, the UECM has also organized a number of activities over the years to promote the CCAs. As noted by Ortiz-Crespo, the MDMQ "has supported the vendors in many ways since they moved into the centres, from paying for clowns to security and cleaning personnel, from electricity and water to whatever it would take to promote the centres, all was paid by the MDMQ"<sup>20</sup>.

As part of the efforts to promote the commercial centres among customers, raffles were organized by the MDMQ during the Christmas seasons of 2003, 2004 and 2005. These raffles attracted a large number of new customers that were entitled to one coupon for each ten dollars they spent at the centres. By counting the coupons, the MDMQ was able to estimate

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<sup>16</sup> Interviews with vendors, Ipiales Mires, August 2009 (See Annex 3).

<sup>17</sup> Interview with Gonzalo Ortiz-Crespo, Former City Councilor and Advisor to the Mayor (2000-2008), August 2009.

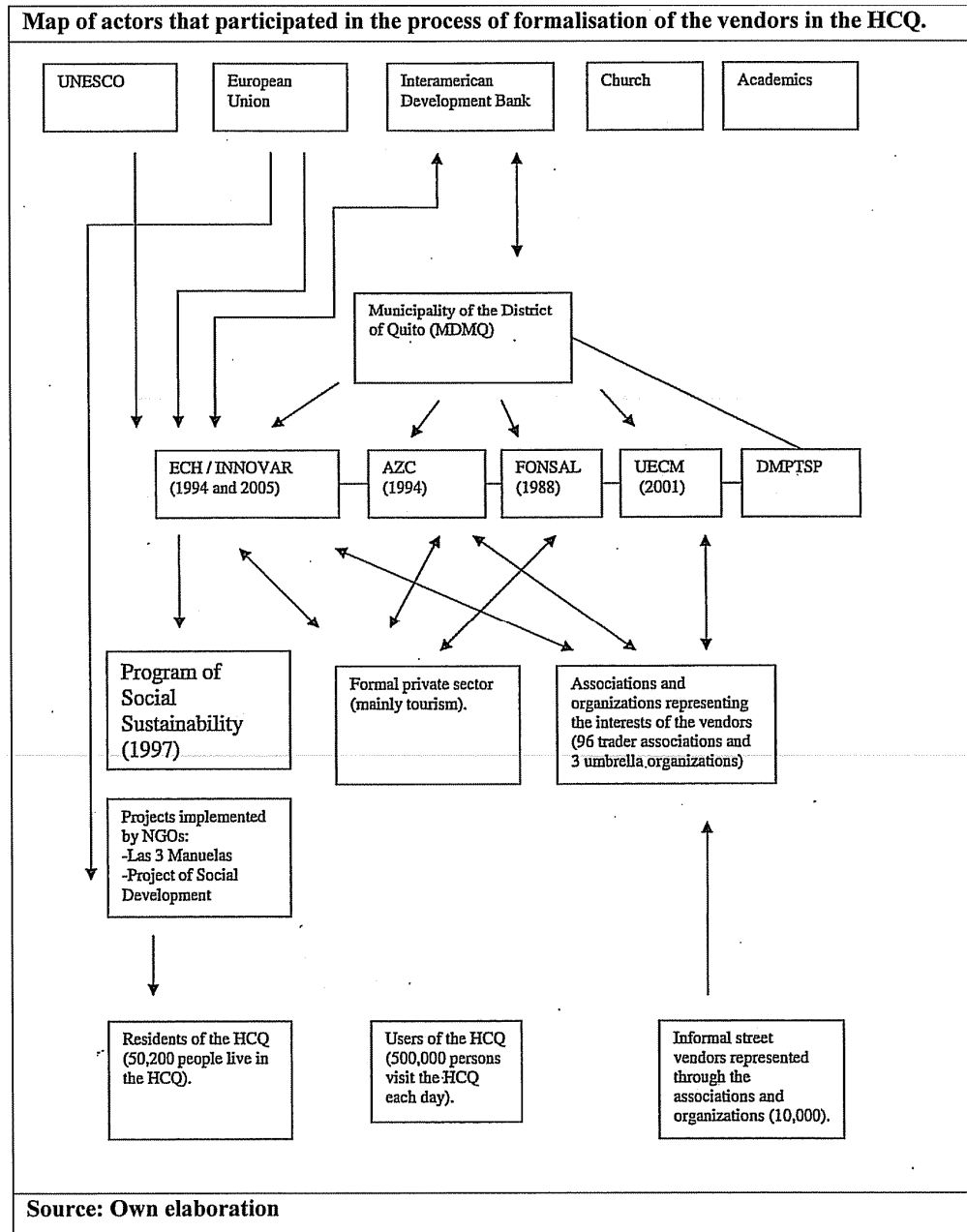
<sup>18</sup> See Annex 4, List of CCAs.

<sup>19</sup> The main financial institution lending to the vendors was the Banco Solidario.

<sup>20</sup> Interview with Gonzalo Ortiz-Crespo, Former City Councilor and Advisor to the Mayor of Quito from 2000 to 2008, August 2009.

the total sales of the centres at seven million, ten million and twelve million respectively. The MDMQ recognized that sales decreased after 2007<sup>21</sup>.

Figure 4



<sup>21</sup> Idem 21.

## **Chapter III**

### **THEORETICAL FRAMEWORK**

#### **3.1 The Informal Economy**

As discussed in the previous chapter, the conceptualization and understanding of informality has evolved over time and continues to do so as new research challenges existing assumptions and as lessons are learnt from policy implementation. In very general terms, according with the Swedish International Development Agency (SIDA), “the informal economy is the unregulated non-formal portion of the market economy that produces goods and services for sale or for other forms of remuneration” (Sida 2004: 11). 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 2007b: 1).

The change from 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 2007b: 1). It also reflects the fact that informality can no longer be associated with a specific industry group or economic activity (e.g. survivalist or ‘petty commodity’ type), but rather should be understood as present in all sectors and industries of the economy.

The reference to “economic activities that are in law or in practice not covered or insufficiently covered by formal arrangements” (Ilo 2007b: 11), reflects the broadening of the understanding of informality and is aimed at capturing the new trends of production and work that have developed in recent years. In the context of globalization and tercerization, “more and more firms, instead of using full-time, regular workforce based in a single, large registered factory or workplace, are decentralizing production and reorganizing work by forming more flexible and specialized production units, some of which remain unregistered and informal” (Ilo 2002: 2). This phenomenon has had a negative impact on developing countries that after following structural adjustment programs and other neo-liberal policies have sought to reduce labour regulation and minimum salaries in order to become more competitive and attractive to foreign investment. This process has been noted by some authors as the “race to the bottom,”<sup>22</sup> accounting for many workers with deteriorating working conditions who have been forced into the informal economy in order to secure their livelihoods.

The definition developed by the ILO and the SIDA in recent years has sought to incorporate the different schools of thought with current realities. The table below intends to summarize the purpose and characteristics of the informal economy.

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<sup>22</sup> See (Bhagwati 2004) and (Chau and Kanburt 2006).



**Table 1**

<b>Reasons for the existence of the informal economy and its characteristics.</b>	
<b>Reasons:</b>	<b>Characteristics:</b>
<ul style="list-style-type: none"> <li>-Limited capacity of agriculture and the formal economy to absorb surplus labour.</li> <li>-Rapid growth of the population concentrated in cities (urbanisation).</li> <li>-Migration (rural-urban) due wage differentials, poverty, impact of diseases, etc.</li> <li>-Barriers of entry into the formal economy (excessive costs and government regulations as well as corruption).</li> <li>-The weak capability of formal institutions to provide education, training and infrastructure as well as other incentives for structural reforms.</li> <li>-Structural adjustment programs during the eighties and nineties.</li> <li>-Capital is favoured over labour and globalization allows for easy mobility of capital but not labour.</li> <li>-Demand for low-cost goods and services increased competition among companies who sought to reduce costs.</li> <li>-Inaction of governments due to the belief that the informal economy 'would die out'.</li> <li>-More women entering the labour markets, both as workers and entrepreneurs.</li> </ul>	<ul style="list-style-type: none"> <li>-Low entry requirements in terms of capital and professional qualifications.</li> <li>-Small scale of operations.</li> <li>-Skills often acquired outside of formal education.</li> <li>-Labour-intensive methods of production and adapted technology.</li> <li>-Little or no division between labour and capital as factors of production.</li> <li>-Low level of organisation.</li> <li>-Rarely have an accounting system.</li> <li>-Labour relations, where they exist, are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.</li> <li>-Rarely comply with all the regulations that apply to their trade, for example concerning registration, tax payment, conditions of employment and operating licenses.</li> <li>-Heterogeneous group of workers and self-employed (socio-economic).</li> </ul>
<p><b>Source: Own elaboration based on ILO (ILO 2007b) and SIDA (Sida 2004)</b></p>	

### **3.2 Addressing the informal economy**

It has become evident that the informal economy has a great potential for income and employment creation. As recognized by the ILO, “in many parts of the world, the greater part of new jobs created is informal, both self-employment and wage work” (ILO 2007c: 1). Furthermore, it is clear that the existence of the informal economy helps to meet the needs of poor consumers by providing accessible and low-priced goods and services (Sida 2004: 10). Consequently, the informal economy can no longer be considered a temporary phenomenon and long-term approaches should be developed.

At the moment, two approaches to informality are pursued at the policy level: a) to formalize those participating in the informal economy, and b), to improve existing working conditions of those participating in the informal economy by extending current formal laws and regulations to the informal context. The dilemma, 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).

As sustained by Chen, “it is often assumed that those who work informally choose – or volunteer – to do so because of the advantages it offers compared to working formally. But those who share this assumption tend to focus on the more entrepreneurial among the informal self-employed ” (Chen 2005: 11). Those working in the informal economy constitute a very

heterogeneous group. Although not all of those that work in the informal economy are poor, the majority are. The biggest challenge of formalization, regardless of the approach, is to provide workers with improved working conditions, and consequently, better standards of living, especially for those that remain the most vulnerable.

Although the conceptualization of formalization varies from one school of thought to the other, the shared idea is that formalization should improve the working and living conditions of informal workers. “To many policy-makers, formalization means that informal enterprises should obtain a license, register their accounts, and pay taxes. But to the self-employed these represent the costs of entry into the formal economy. What they would like is to receive the benefits of operating formally in return for paying these costs, including: enforceable commercial contracts; legal ownership of their place of business and means of production; tax breaks and incentive packages to increase their competitiveness; membership in trade associations; and statutory social protection” (Chen 2005: 30). In addition, it is about providing effective legal and social protection and bringing the informal economy in the ambit of formal arrangements (Ilo 2007c: 8). According to Ocampo and Jomo, “formalization should help increase the productivity and competitiveness of informal enterprises, while offering protection and rights that most workers in the informal sector do not have” (Ocampo and Jomo 2007: 13).

### **3.3 Decent work and the informal economy**

As sustained by the ILO, “workers and economic units in the informal economy experience specific disadvantages and most severe decent work deficits and their conditions are precarious and vulnerable” (Ilo 2007a: 3). It is recognized that in most developing countries, “poverty results less from unemployment than from the inability of the employed to secure decent incomes” (Ocampo and Jomo 2007: XV). With employment creation being a top priority around the world, it is important to understand that “the key point is that it is not just the number of jobs created but the quality of those opportunities that make work decent and which links decent work to poverty reduction” (Kantor et al. 2006: 2089). In sum, the lack of decent working conditions is more a cause of poverty and vulnerability than the lack of jobs available, especially for those participating in the informal economy. Consequently, the ILO advises that “efforts need to focus on addressing glaring decent work deficits for workers and entrepreneurs in the informal economy and to bringing them into the main stream economy” (Ilo 2007b: 2).

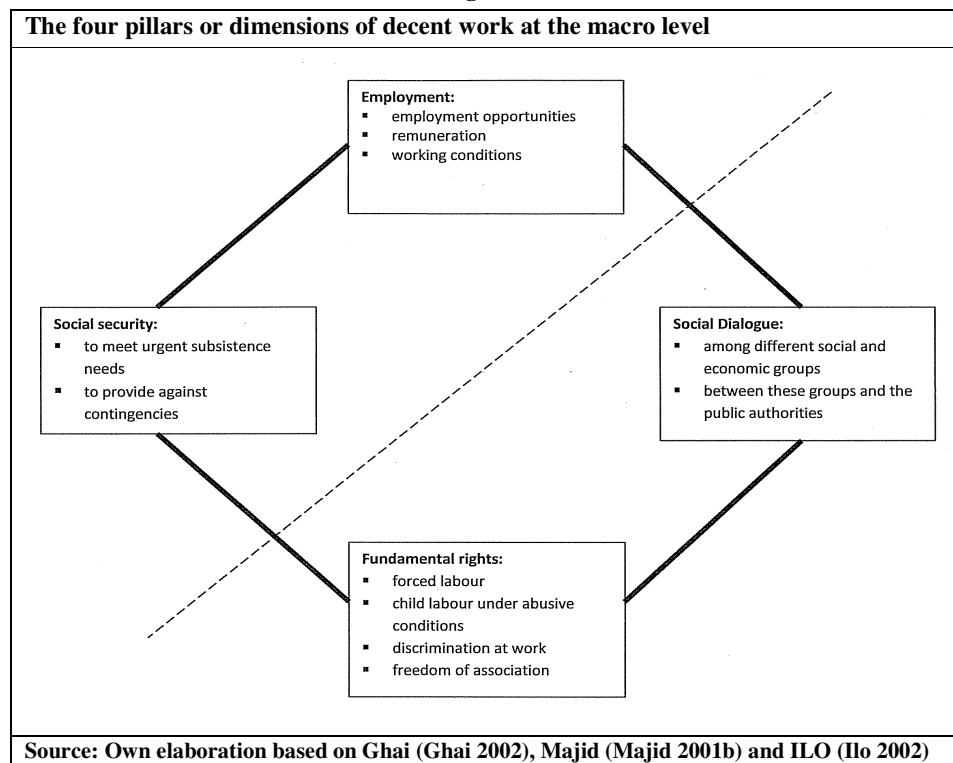
As noted by the ILO, “in the context of the global decent work deficits, breaking out of informality is increasingly seen as the principal development challenge across regions” (Ilo 2007a: 1). In 1999, “the ILO’s Socio-Economic Security Programme was established, as part of an institutional effort to give impetus to rethinking social protection policies and to promoting the values underlying the concept of decent work” (Standing 2002: 1). As part of this effort “the ILO set itself the challenge to achieve decent work for all by promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity” (Kantor et al. 2006: 1). The use of the term ‘for all’, “implicitly extended the ILO’s reach from its traditional base of formal sector wage workers to include the *self-employed* and other workers outside traditional employee-employer relations” (Kantor et al. 2006: 2089). It is important to note that until the late 1990s, the focus of the ILO was on workers in the formal economy, more specifically, wage workers. Decent work is not a set, ‘one size fit all’, standard that all countries should pursue; rather, it

is a concept that each country should develop in order to adapt it to its own socio-economic characteristics and goals. The ILO has established general guidelines, which keep evolving as the discussion on decent work gains momentum, in order to set goals that would assist policy makers at the country level.

At the macro level, 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). As sustained by Ghai, “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” (Ghai 2002). In other words, the first two components of decent work are related with material needs while the last two are related with values and legislation.

The concept of decent work goes beyond job creation and simply focusing on income generation to incorporate other dimensions that are relevant to the overall understanding of working and living conditions of waged and self-employed workers. Income alone presents a very narrow vision of the reality faced by most people, especially among the most vulnerable, throughout the world. At the macro level, decent work “argues for making interventions in enabling dimensions of living that affect the circumstances in which a working person, given her labour and personal characteristics, starts out to achieve a decent life” (Majid 2001a: 1).

**Figure 5**



### 3.4 Decent work at the micro level

Most studies of decent work deficits so far have been focused at the macro level. As a result, several methodological tools that allow for standardized assessments of decent work deficits

at the macro level have been developed and utilized while only a few experiences exist at the micro level<sup>23</sup>. This is largely due to the difficulty involved in capturing the particularities of localities through a framework that allows comparisons across countries.

The ILO has translated the concept of decent work to the micro level through the lenses of securities<sup>24</sup>. In addition to basic security, the ILO identified other seven types of securities<sup>25</sup> (i.e. labour, employment, job, work, skill reproduction, income and representation) that constitute the main dimensions through which decent work deficits can be analyzed. These dimensions are meant to capture all the different aspects that make a work decent. In order to assess these deficits, the ILO created the People's Security Surveys (PSSs), which tracks seven forms of work-related security comprising decent work (Standing 2002: 443). As sustained by Kantor, "overall the seven work-based insecurities capture highly relevant dimensions of work quality and have the potential to incorporate indicators important to decent work for informal workers" (Kantor et al. 2006: 2090).

One of the few studies that has evaluated decent work deficits among workers in the informal economy at the micro level, was carried in Surat, India<sup>26</sup>. It is important to note that the focus of the study in Surat were both waged and self-employed workers. In addition, it is also important to consider that although the target of the study was the worker, the survey was implemented through the households and not the place of work, which is the approach used for this research.

### **3.5 The seven dimensions of decent work at the micro level**

Departing from the PSSs approach, the seven dimensions of decent work at the micro level intend to capture all the different dimensions that constitute the overall working and living conditions of both wage and self-employed workers. This approach starts from 'ideal' conditions and compares them with existing ones.

1) *Labour market security* relates to the ability of the economically active population to obtain and maintain income –generating work (Kantor et al. 2006).

2) *Employment security* relates to "the ability to keep one's work and incorporates dependent work relations particularly for self-employed and piece rate workers" (Kantor et al. 2006: 2092). In addition, it looks at the "protection against arbitrary dismissal, and employment stability compatible with economic dynamism" (Standing 2002: 442). In sum, this dimension aims at understanding the overall vulnerability of workers to lose their jobs over time due to circumstances beyond their control.

As explained by Standing, employment and labour securities have a lower priority than the other dimensions of decent work and can be "seen as instrumental needs rather than desirable

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<sup>23</sup> See (Anker et al. 2003) and

<sup>24</sup> See (Standing 2002), (Anker 2002) and (Unni and Rani 2003).

<sup>25</sup> See Table 2 (below)

<sup>26</sup> See (Kantor et al. 2006).

attributes of decent work” (Standing 2002: 445). Employment and labour securities can also be understood as contextual to all workers participating in a particular labor market.

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 et al. 2006: 2093). “The key point is whether or not the individual has a niche (or post) in the workplace or enterprise, or has a position that is improving” (Standing 2002: 447).

4) *Work security* “relates to the physical conditions of work” (Kantor et al. 2006: 2094). Such as, “protection against accidents and illness at work, through safety and health regulation, 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 et al. 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). Moreover, all insecurities mentioned have implications for income levels and stability. Earnings can be compared with those of other workers and different poverty lines. (Kantor et al. 2006: 2096).

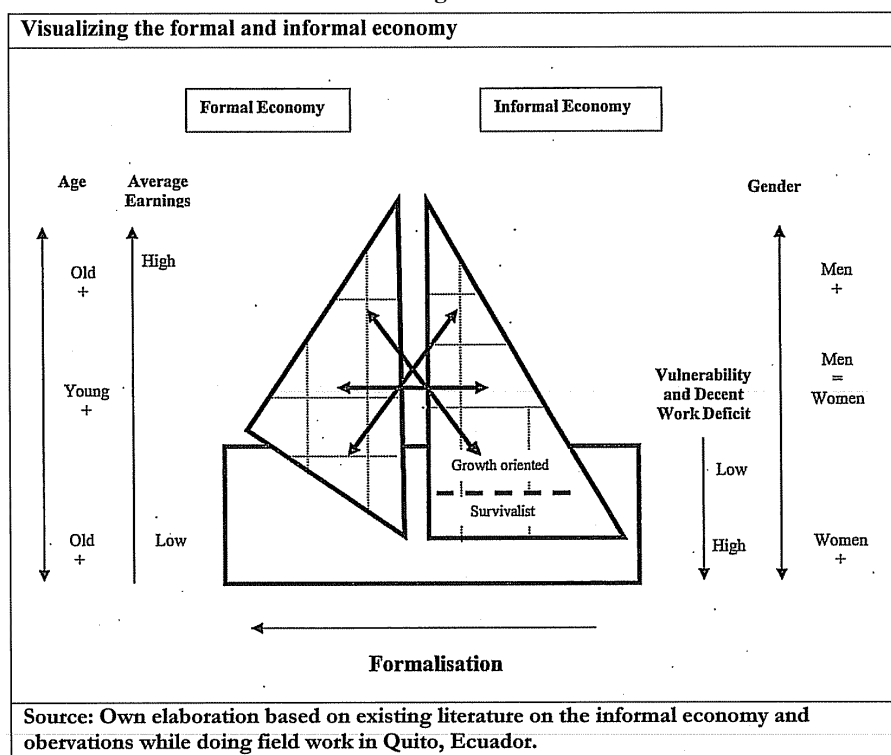
7) *Representation* “protection of collective voice in the labour market, through independent trade unions and employers’ associations and other bodies able to represent the interests of workers and working communities” (Standing 2002: 442). It “is captured through asking if respondents were members of an organisation representing their interests as workers and if they were members of a cooperative”(Kantor et al. 2006: 2096).

**Table 2**

<b>Operationalizing and assessing the seven dimensions of decent work at the micro level (for vendors)</b>						
<b>Labor market</b>	<b>Employment</b>	<b>Job</b>	<b>Work</b>	<b>Skill reproduction</b>	<b>Income</b>	<b>Representation</b>
Having access to an income generating job.	Having protection against fluctuations and changes in the market due to reasons or circumstances beyond the control of the worker.	Having the skills and an occupational niche that would allow a person to keep a job over time with opportunities for advancement and improvement.	Having a safe and secure working environment (in accordance with local regulations).	Having the chance to use previously learnt skills while gaining new ones at work.	Having an income that is adequate, reasonably good relative to others', regular and assured, access to non-wage benefits and income-supplementing entitlements.	Having the right to form and participate in associations or organizations of workers recognized by the existing authorities. Having associations and organizations that represent the interest of the workers.
<b>Indicators used for this research aimed at exploring and evaluating working conditions for vendors:</b>						
-irregular / seasonal work. -hours and days of work per week. -would like to work more hours / days. -work excessive hours.	-owns or rents store. -having a fixed location before formalization. -stability as informal. -years working as vendor. -believes will continue working as vendor in one year. -have the store insured against robbery and / or fire. -have access to social security benefits (medical care, pension, work insurance).	-income fluctuations after formalization. -expected income fluctuations during the next year.	-feels secure in the market against robberies, accidents and harrasement -feels safe in the market in terms of health threats. -overall perception of safety and security before and after formalization.	-feels that is using all its potential and capabilities at work. -received training as part of formalization. -access to certified formal training.	-perception of average income relative to other vendors working in the same type of market. -fluctuations of average income since formalization (seasonality of increases and decreases). -sources of income other than the store. -income during the last month. -expenditures during the last month.	-membership and participation in associations or organizations of vendors before and after formalization. -knowledge about other existing associations or organizations currently at the market. -actor approached when there is problem in the market.
<b>Source: Own elaboration</b>						

### 3.6 Visualizing formalization

Figure 6



The two triangles in Figure 6 (above) represent the existing jobs within the formal and informal economies. The different shapes of the triangles represent the different characteristics of each market. In the informal economy, most workers are located at the bottom while in the formal economy most workers are at the ‘belly’ of the triangle. As one moves towards the top of the triangles, average earnings tend to increase and the opposite towards the bottom. As one moves towards the bottom of the triangle, the presence of women tend to increase, pointing to the fact that women in the informal economy are specially vulnerable and tend to experience greater decent work deficits than men. The elderly tend to be located either at the top or at the bottom of the triangles while the young usually occupy the middle portion of it. Young people tend to be more flexible than the elderly, but due to their recent entry into the labour market, lack the experience to increase their productivity. Although they are more capable of adapting to changes in the labour market than other workers, they remain in the ‘middle’ because they still do not have the experience to move towards the top of the figure. As the young progress in life, they will tend to either move towards the top or the bottom depending on the progression of capabilities. At the same time, the elderly have usually either acquired enough capabilities throughout their life that would have allowed them to climb the figure, or if they failed to adapt to changes over their lifetime, would be relegated to the worst working conditions.

Both markets are segmented horizontally and vertically, limiting the capacity of workers to move from one segment to the other. 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) (Rodgers 1989: 8). In the figure, the dotted lines inside the triangles represent segmentation. Both sectors of the economy are interdependent and interlinked with each other, symbolized in the figure by the arrows connecting the segments of the two triangles. As explained by Chen, “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” (Chen 2006: 77). “Global commodity and value chains are clear examples of how the formal and informal economies are linked across the border of many countries, influencing decent work for workers depending on which segment of the chain they are in” (ILO 2002: 37).

The rectangle at the bottom of the figure represents the area of the labor market where workers suffer greater vulnerability risks and decent work deficits. Although workers in the formal economy tend to present better working conditions, due to flexibilization, globalization and macroeconomic policies implemented during the last few decades, they are also exposed to experiencing vulnerability and decent work deficits. As explained by the ILO, “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” (ILO 2002: 4). Many among the ‘working poor’ have a formal job and still earn less than is required to be above the poverty line; thus, the rectangle also represents the risk of falling into poverty. As noted by the ILO, “it is certain that a much higher percentage of people working in the informal relative to the formal economy are poor, and even more true that a larger share of women relative to men working in the informal economy are poor” (ILO 2002: 3).

In discussing the integration of the informal economy into the modernization process, Tokman argues that “the importance of integration of an informal activity as a tax-paying entity is that its first consequence consists in meeting a basic business requirement, such as producing accounting information. If the entrepreneur fails to do so, he is deprived of a key tool of modern management, a requirement to achieve full economic citizenship” (Tokman 2001: 57).

For the purpose of this research, formalization is conceptualized as an intervention aimed at bringing into formality those wage and self-employed workers that currently earn an income in the informal economy. It is clear from the figure that formalization does not necessarily mean a reduction in vulnerability and decent work deficits because as explained before, some workers at the bottom of the formal economy might experience the same decent work deficits and levels of vulnerability as those in the informal economy. As mentioned before, the focus of this study are the informal self-employed workers at the bottom of the informal economy triangle, both growth oriented and survivalist<sup>27</sup> vendors that have undergone a process of formalization. Through the glasses of decent work, the objective of this research is to understand how formalization has altered the different dimensions of working conditions.

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<sup>27</sup> The characterization of survivalist vendors is that used in (Berner et al. 2008). See Appendix 5.



## Chapter IV

### CHANGES IN THE WORKING AND LIVING CONDITIONS OF VENDORS

<b>Photo 1: ‘Vendors before formalization’, in front of La Merced, 1990s</b>	<b>Photo 2: ‘Vendors after formalization’, inside the Ipiales Mires, July 2009</b>
	
Source: (Innovar-Uio 2009: 162)	Source: Ferragut, S. , July 2009, Quito

#### 4.1 From ‘La Ipiales’ to the CCAs

For a long time, the area in the HCQ where most vendors used to gather to sell their products since the early 1950s has been known among the Quitenos as ‘La Ipiales’. Curiously, Ipiales is not the name of a street in Quito but a small Colombian town located near the border with Ecuador, connected with Quito through the Pan American Highway, one of the most important routes in the continent<sup>28</sup>. Throughout the 1950s and 1960s many informal street vendors started to sell products in the HCQ that were acquired in Ipiales and other towns near the border between Ecuador and Colombia. Most of the products from Ipiales were smuggled into Ecuador by the vendors themselves or by other intermediaries that then sold them to the informal street vendors. As noted by the vendors during the interviews, most of the original vendors in La Ipiales were from Tulcan, a city in the border between Ecuador and Colombia. Many among the vendors were rural-urban migrants unable to find jobs in the formal urban economy that resorted to street vending in order to survive. “La Ipiales” has since then been very popular among customers looking for low prices and Colombian products, especially among low-income families.

The construction of the popular commercial centre (Centro Comercial de Ahorro - CCAs) Ipiales Mires<sup>29</sup> by the Municipality of Quito, with financial support from local and international institutions<sup>30</sup>, took place between 1998 and 2003. The corner where the Ipiales Mires stands today has been used by the informal street vendors since the 1950s. The Ipiales Mires has the capacity to accommodate up to two hundred and nine vendors<sup>31</sup>. The stores

<sup>28</sup> See Annex 1, Map of Ecuador.

<sup>29</sup> The Ipiales Mires is located in the intersection of the streets Mejia and Mires (See Annex 2).

<sup>30</sup> Funding for the construction of the Popular Comercial Centres was provided by the ECH, FONSAAL and the IDB.

<sup>31</sup> It was originally planned for 230 vendors, but currently has 209 stores available (Interview, Luis Gonzales, August 2009).

were awarded to those vendors that registered with the MDMQ as informal street vendors working in the HCQ before 2003<sup>32</sup>. Currently, out of the 209 stores available at the centre, only 144 are occupied.

Since the vendors moved into the CCAs, the UECM has implemented a set of rules designed to support them through the transition to formalization and ensure the functioning of the commercial centres. In the CCAs, it is mandatory for the vendors to open their stores to the public 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 or sell the store for a period of seven years. After completion of that period, property titles are issued to the vendors, who are then free to dispose of the store as they please. The objective of this policy was to ensure that vendors remained working at the CCAs once the process of formalization was completed. This policy was complemented by deploying large numbers of police officers throughout the HCQ in order to prevent new and old informal vendors from selling on the streets<sup>33</sup>.

The UECM, which was initially created to implement the Plan for the Modernization and Reorganization of Informal Street Vendors in Quito, has been responsible for providing daily administration and management of the centres since the vendors moved out of the streets (Valdivieso 2007: 11).

#### **4.2 Inside the “Ipiales Mires”**

The Ipiales Mires has four levels, each with approximately the same number of stores. The centre can be accessed either through one of the four entrances located on the ground floor or through a ramp on the third floor that connects the Ipiales Mires with another CCA located across the street. All the stores are more or less the same size and have storage space, electricity available, and a metallic roll up door that can easily be closed and locked whenever the vendor is going out of the store. There is one set of stairs connecting each of the levels but there is no elevator. There is no special access for people with disabilities or for vendors that need to carry large volumes of merchandise into the stores, which difficults the access of customers and vendors to the top floors. Although the centre does not have its own parking, customers and vendors are allowed to use the parking of the CCA located across the street. There is a bus stop accross the street connecting the market with the main points in the city.

All levels have toilettes 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. On the third level, there is a food court that has eight small restaurants next to each other that share a common space with tables. On the second level, there are seven cabins with public telephones and an ATM machine. Finally, on the third floor, there is a store that offers office services to vendors and costumers from outside the centre (e.g. copies, printing, access to internet, fax).

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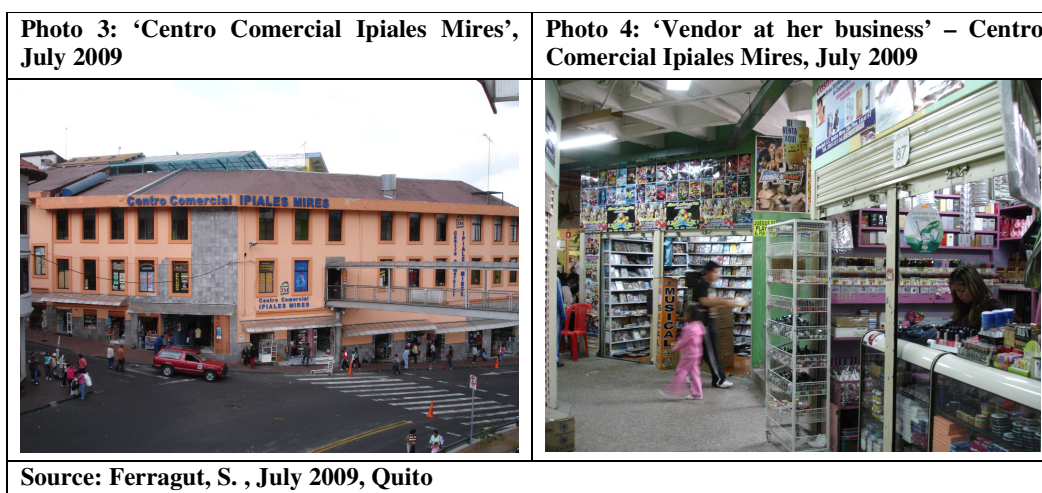
<sup>32</sup> Final lists of registered vendors were prepared by the associations, with support from the MDMQ.

<sup>33</sup> Interview with Gonzalo Ortiz-Crespo, Former City Councilor and Advisor to the Major (2000-2008), August 2009.

The office of the UECM, responsible for the administration of the Ipiales Mires, is located on the fourth floor where there is also a meeting area that is used both by the UECM staff and the vendors. The UECM office has three full time employees; one person responsible for the overall administration of the centre, one person responsible for coordinating security and one assistant. Also located in the fourth floor, there is a daycare that operates at full capacity. At the time of the research, the daycare was closed due to summer holidays resulting in a number of children playing throughout the Ipiales Mires. Some vendors indicated that it was difficult to find space in daycare.

As mentioned earlier, there are a number of stores vacant throughout the Ipiales Mires, especially in the third and four levels of the market. Most economic activity takes place in the first and second levels and next to the food court on the third level of the centre, which is also close to the ramp that connects the Ipiales Mires with another PCC located across the street. Some stalls on the fourth level remained closed throughout the entirety of the field research. Some of the stores had eviction notices from the MDMQ taped to the roll up doors asking the vendors to present proof of work to the UECM office or face eviction.

### 4.3 Fieldwork in the ‘Ipiales Mires’



The survey<sup>34</sup> was conducted during August of 2009 among fourteen vendors (n =14, 10 percent of the market population) that currently work in the Ipiales Mires and before 2003 used to sell their products and services in stalls throughout the HCQ. The decision to carry the survey in the Ipiales Mires was due to its location<sup>35</sup> and the size of the population of vendors at this particular market, one hundred and forty four vendors in total (N=140). In addition, the ‘Ipiales Mires’ is located in one of the main areas where informal commerce rapidly developed during the 1950s. Most vendors working at the centre today have worked at the same exact location for their entire life as vendors. Some of them, are the second and third generations of the original vendors that started ‘La Ipiales’ around the 1950s. Due to time constraints, it would not have been feasible to implement the survey in one of the larger CCAs. As a result, the survey does not intent to make generalizations about the characteristics

<sup>34</sup> The English version of the survey and tables summarizing its results are attached as Annex 6 and 7 respectively.

<sup>35</sup> The Ipiales Mires market is located in the HCQ, intersection of Mejia and Cotopaxi (see Annex 2).

of all the vendors that participated in the formalization process<sup>36</sup> but to contribute to the understanding of the impact of formalization on the different dimensions of decent work for the vendors at the IpiALES Mires. For the implementation of the survey, seven men and seven women were purposely selected in order to understand the different impacts for both sexes. It is important to highlight, however, that the majority of vendors in the past and in the present are and have been women<sup>37</sup>. Remaining cases were chosen randomly throughout the market.

The survey was divided into three sections: A) Profile of the business, B) Profile of the vendor and C) Dimensions of decent work. Section A and B are aimed at creating an overall profile of the business and the vendor while section C explores the seven different dimensions of decent work before and after formalization. The information provided in sections A and B serves to complement and shed light onto some of the information collected in section C of the survey. In addition, information gathered during interviews with the vendors<sup>38</sup> served to complement the information that resulted from the survey and first-hand observation.

A total of eight vendors were interviewed at the IpiALES Mires. Three main issues guided the interviews: 1) circumstances that led the person to engage in informal street vending, 2) the profile of a full day in their life as former street vendors, and 3) the profile of a typical day as vendors in IpiALES Mires. At the end of the interview, vendors were also asked to reflect about things that had 'improved' and things that had 'gotten worst' since formalization. The real names of the vendors interviewed have been changed in order to keep anonymity.

#### **4.4 Profile of business**

All stores in the IpiALES Mires have more or less the same size and were delivered to the vendors with the same basic infrastructure and services available (e.g. electricity, roll up doors). All merchandise offered in the stores is new; however, most of it is middle or low quality. The majority of the merchandise available at the 'IpiALES Mires' is from Ecuador (77 percent). In most cases, prices are not displayed but established after bargaining with the vendor. When prices are displayed, they are usually not final but only serve as the starting point of the negotiation for a final price. Discounts are usually offered to customers buying more than one unit. Although most vendors sell the majority of their products by unit, some of them have become suppliers of new street vendors that usually buy from them the quantity of products they expect to sell during that day<sup>39</sup>. It is important to highlight that while huge efforts made by the MDMQ have successfully managed to reduce the number of informal street vendors in the HCQ, informal street vending in general remains a common phenomenon in the periphery of Quito and other provinces throughout Ecuador.

All transactions at the CCAs are in cash, as vendors have not been able to gain access to credit card payment services. Almost all vendors sell only one type of product; among the surveyed cases, only one vendor sold more than one type of product in his / her store. Most vendors reported selling the majority of their products to low and middle income Ecuadorians. In

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<sup>36</sup> Approximately, six thousand and five hundred vendors were formalized.

<sup>37</sup> Interview with Luis Gonzales, Manager IpiALES Mires, UECM/MDMQ, August 2009.

<sup>38</sup> See List of Interviews, Annex 4.

<sup>39</sup> Interview with vendors, August 2009.

addition, 30 percent reported tourists as the second most important group of customers. Finally, none of them reported having ‘pelucones’ (upper income Ecuadorians) as customers.

#### 4.5 Profile of vendors

The average age among the vendors surveyed was 51 years old. The large majority of them were married and the average size of their households was 3.64 persons. Seventy one percent among them were born in rural areas and moved to Quito when they were young in order to find jobs. In 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<sup>40</sup>. Among the surveyed vendors, women presented higher levels of education than men. It is important to note that in the past most vendors used to have very low levels of education and training<sup>41</sup>. At the same time, education was perceived by the vendors as the basis for eventually climbing the social ladder. As a result, vendors placed a lot of importance on the education of their children.

During the interviews, one of the vendors that had spent most of his life working with his family on the streets noted that “after school I would go straight to my parents’ stall and my father would force me to sit in some empty boxes in the back to do my homework”. In most cases, vendors encouraged their children to complete their education rather than joining them as vendors. As many vendors’ children complete their education they face barriers limiting their entry into certain segments of the labour market, ultimately, forcing many to become vendors, the trade they learnt while growing up<sup>42</sup>.

Most of the vendors did not hire employees (92 percent), neither permanently nor seasonally; however, many among them reported receiving help from family members and friends during peak seasons, such as Christmas. Seventy eight percent of vendors sold the same type of products since they became vendors. As reported in the interviews, some of the vendors have managed to build networks that over time have allowed them to progress through the value chains of the products they sell. For instance, a vendor explained how once she noted that the box in which her merchandise was packed was coming from ‘Colon’. A few days later she went to a travel agency to find out where ‘Colon’ was. A few months later, after she asked her aunt for a loan, she was on her way to Colon, Panama to buy the merchandise directly from the producers. This allowed her to increase her profit margins over time but required her to take great personal risks.

The majority of vendors worked as wage-workers before becoming informal street vendors (57 percent), more men (71 percent) than women (42 percent). The difference between the experiences of men and women might be explained by the fact that among wage-workers women tend to present higher levels of unemployment than men, which might force them to resort to street vending as a survival strategy at an earlier stage in life than man. Another factor that might explain these differences are wage differentials among men and women. Lower salaries for women, both in the formal and informal economy, might force them to

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<sup>40</sup> National Institute of Statistics and Census (INEC), National Survey of Employment, Unemployment and Sub-employment (ENEMDU), December 2007.

<sup>41</sup> Interview with vendors, August 2009.

<sup>42</sup> Idem 44.

resort to informal street vending in order to earn a higher income, especially as the size of the household increases and the salaries of men deteriorate.

One fourth of the surveyed vendors (28 percent) performed other income-generating activities besides the store. On the one hand, for 35 percent of the vendors, the income generated in their store, represented the only income of the household. On the other end, for 35 percent of the vendors the income generated in the store represents less than half the total income of the household.

The vendors produced 35 percent of the products they had for sale. The majority of the other products were either acquired through retailers (80 percent) or purchased directly to the producers (20 percent). Sixty four percent of vendors bought their merchandise on cash and only 35 percent used credit. All vendors that bought merchandise on credit obtained it through the retailers. The information gathered through both the survey and the interviews confirmed that informal street vendors in the HCQ have had access to credit for a long time and that owning their stores has not changed the way in which vendors operate.

The main source of credit for vendors since the 1990s have been the suppliers (retailers) of merchandise. Before that time, the main source of credit for vendors were family and friends (Teltscher 1994: 178). During the second half of the 1980s, some banks that sought potential in customers with low balances, allowed the vendors to open bank accounts<sup>43</sup>. After a short period of time, vendors were issued cheques, which were essential for paying the suppliers 'on credit'. The system was very simple; vendors purchasing merchandise from one of the retailers would post-date the cheque one or two weeks in the future. The supplier, in his or her part, would not cash the cheque until that date arrived. If payments were made on time, and as the relationship between the supplier and the vendor developed, credit would be extended to thirty or sixty days. This type of credit involved no cost for the vendors, and most importantly, it did not require them to go through any of the cumbersome and time-consuming procedures and paper work banks usually demand. For the suppliers, extending credit to the vendors was essential in order to keep selling and attract new customers.

The most important collateral of credit among vendors is not property titles but '*la palabra*' (your word, your promise). At the start, vendors need cash to start a business, but after some time, the suppliers extend credit to them. The rules on keeping one's 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 anymore. Firstly, there are few suppliers, so information on a bad payer circulates fast among them; secondly, vendors that have sold the same type of product for most of their life would face significant challenges to change and establish new lines of credit with suppliers. Furthermore, time to invest in new ventures with uncertain returns is scarce given that most vendors depend upon their daily sales to bring food to their homes. In addition, due to the lack access to capital and cash credits, it would be very difficult for vendors to invest in new ventures that might expose them to risk. It is thus essential for vendors that look forward to 'survive' in the market over time to keep their word and pay what they owe to the suppliers on time.

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<sup>43</sup> The first bank to start working with the vendors was the 'Banco Solidario'.

In the past, when vendors needed credit in cash, and family or friends could not provide it, they could use the '*chulqueros*' (loan sharks). They usually charge very high interest rates and vendors have traditionally used them as a last resource of credit. Chulqueros were common before the 1990s, when most banks did not offer services to vendors. Over time, they became very organized and even had 'collectors'. Since the 1990s, seeking credit with them has become more unusual.

#### **4.6 Evaluating the different dimensions of Decent Work before and after formalization**

##### **1) Labour market security:**

On average, vendors worked 51 hours a week, which is well above the levels present in Quito and other urban areas throughout Ecuador, which is 45.2 hours<sup>44</sup>. In average, at the IpiALES Mires, men worked 58 hours a week while women worked 43. This difference might be explained by the fact that women dedicate 2.62 times more hours per week to reproductive work than men do<sup>45</sup>, and therefore, tend to have less time available for income-generating activities outside of the household. It is important to note that in many cases vendors spend a considerable amount of the time dedicated to their businesses not in the stall or the store, but producing or purchasing the merchandise they sell. As noted by one of the vendors, "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 this three or four times on the same week".

Despite the fact that most vendors were already working excess hours<sup>46</sup>, 66 percent of them reported that they would like to work more hours; again, more men (83 percent) than women (50 percent). For most vendors, their willingness to work more might not be the result of their 'entrepreneurial drive' but their dire need to secure a livelihood for themselves and their families. The difference of why men appear more willing than women to work additional hours and days might be once again related with the fact that women engage in much more reproductive work than men do and they simply would not have the time to work more, even if they wanted to. During the interviews, the vendors mentioned that they would like to work more hours only if the work and sales increased.

Fifty percent of vendors reported working more hours and days before formalization while 21 percent reported working less before it. Having their own store with a roll up lockable metallic door, means that vendors hold more flexibility in opening and closing hours, in addition to spending less hours transporting merchandise and setting up the stall. It has also allowed the vendors to leave the store in case of emergencies without having to worry about thieves. 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.

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<sup>44</sup> National Institute of Statistics and Census (INEC), National Survey of Employment, Unemployment and Sub-employment (ENEMDU), December 2007.

<sup>45</sup> Idem 45.

<sup>46</sup> According to the ILO, workers that work more than 48 hours a week are considered to be working excess hours.

## 2) Employment security:

Almost 80 percent of the vendors owned the store where they work. Before formalization, 64 percent reported having a fixed place where to sell their products and 66 percent reported paying a regular fee for the use of public space. As explained by the vendors during the interviews, associations used to charged vendors selling in 'their space' a monthly fee. In addition, some vendors that registered with the MDMQ, were required to pay for the use of space to the municipality. No vendor reported having to pay to the police in the past. Although none of these amounts was high, vendors were required to pay every month or face eviction and maybe violence. For the majority, those that paid, working on the same fixed space for many years was common. 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 all always paid".

It is important to understand that the concept of 'ownership' and 'property', and the stability that results from it, also existed among most informal street vendors in the past. Most vendors interviewed and surveyed for this research 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 was supposed to install and sell his or her products. Many of the vendors described the stalls where they used to work as their second home. As noted by one of the vendors, "when in the school they asked me for my address, I would say Cuenca and Sucre, that was the corner where my parents had their stall since I can remember; basically, we (the children of vendors) grew up in those streets". After years in the same location, and the consent of the association, vendors could sell their space. For instance, vendors that were moving to a new location would sell their old space to new vendors, provided the association that controlled that block accepted him or her as members. In sum, stalls could be sold, bought and even inherited among vendors.

All vendors surveyed believed that they would continue to work at the same store during the next year. Among the vendors surveyed for this research, none of them had insurance against either fire nor robbery. The expectation to continue to work at the same location might not be an act of reassurance but of resignation. Most vendors interviewed believed that they would not be able to find a different type of job.

It emerged from the survey that the majority of vendors are not covered by any type of social security (i.e. health, pensions, retirement). That coincides with the reality faced by most Quitenos. According to the INEC, 58 percent of residents of Quito remained without access to any form of social security as of December of 2007<sup>47</sup>. It is important to note, however, that all Ecuadorians have access to Public Hospitals. At the same time, it is also important to note that as explained by the vendors, there are a lot of costs involved everytime you need to go to the hospital (e.g. time spent not working, medicine, transportation). In practice, these costs complicate the access of low income groups to health services. As one vendor put it, "vendors in general, medicate themselves every time they are sick".

For many of the vendors, the associations represented an alternative to social security services. As reported during the interviews, the associations would collect money among its members in case a vendor or a member of his or her family passed away or needed medical treatment or medicines. Vendors worked and spent most of their lives on the same location,

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<sup>47</sup> Idem 45.



surrounded by the same group of vendors, and over time, strong relationships developed among them. In addition, there were entire families dedicated to street vending. Moreover, many families formed as different vendors married with each other. As families grew, they would try to expand by buying or acquiring new spaces near by. All these factors contributed to an overall feeling of stability at work.

### **3) Job security:**

Only 7 percent of vendors reported increases in income after formalization. The vast majority (85 percent) reported a decrease in income. Only 28 percent of vendors expected their income to increase during the next year. If these results are combined with the information on sales obtained by the MDMQ through the raffles, it can be inferred that most of the increases in sales have been concentrated in a small group among the vendors. To some extent, this situation might be understandable if we consider that street and store vending belong to different occupational niches and require different types of capacities for success.

For many among the informal street vendors, their ‘occupational niche’ was not their entrepreneurial skills but rather location or convenience for the customers, and low costs of operations. For some of them, even in this situation, the prizes they were able to offer were higher than those offered at established stores, especially among those vendors that did not have a fixed location or managed to gain access to smuggled products. Once they were removed from their strategic locations (e.g. the streets, sidewalks and squares) and their costs of operations increased due to taxes or other overhead expenditures, it became very difficult for them to remain competitive. This is also related to another finding which is that informal street vendors do not usually take advantage of economies of scale. They would travel four times to Guayaquil in the same week instead of going only once and storing the merchandise. As a result, it is understandable that only a small group among the vendors has managed to increase sales and believes they would continue to improve over the next year.

### **4) Work security:**

At the time of the survey, 85 percent of the vendors believed that the Ipiales Mires was secure (e.g. robbers, fire, harassment) while 50 percent of the vendors believed that working at the Ipiales Mires presented issues for their safety (e.g. physical health). During the interviews, the main reasons given for this perception of unsafety were stress due to the little activity of the business, exposure to cold and excessive noise. At the same time, many vendors recognized that overall, the working environment has improved considerably. Some of the vendors pointed out that while they were selling on the streets, they did not have easy access to toilettes<sup>48</sup>, and some people would have to use the street. Vendors could not easily leave their merchandise alone in the stall, so going to the toilette was always an issue. As a result, having toilettes available on each floor of the Ipiales Mires has contributed to the overall hygiene of the working place and added a certain level of comfort to the vendors. This is especially true for women and children.

Overall, 71 percent of vendors at the Ipiales Mires believed that they were more safe and secure since they started working at the commercial centre while none of them felt less safe and secure. During the interviews, the vendors reported that many among them used to suffer

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<sup>48</sup> There used to be public toilettes installed by the MDMQ but usually they were not enough to accommodate the large number of vendors and customers in the area.

from illnesses and conditions that were due to their particular working and living conditions. Long and irregular working hours and eating on the streets everyday caused many of the vendors to develop gastric, digestive and respiratory conditions. In addition, vendors spent most of their time exposed to the changing weather conditions of Quito<sup>49</sup>. As explained by one of the vendors, “during peak sale seasons, such as Christmas, we would stay in the streets for days and our entire family would spend the nights under the plastic covers”.

One of the main roles of associations of vendors before formalization was to provide security to the vendors. As more and more vendors gathered in ‘La Ipiales’ over the years, space became scarce and conflicts over its use emerged. As noted during the interviews, most associations used to hire security guards to protect their turf from other vendors and from thieves. Some of the associations also used their ‘security’ to intimidate other associations and vendors and gain control of their space. In some cases, they would collect a fee from them for ‘protection’. Most vendors mentioned during the interviews that thieves were more of a threat to the customers than to themselves. As explained during the interviews, “vendors spend most of their lives in the streets and dealing with people, they can easily recognize a thief when they see it”. Vendors also developed different systems to let others know when a thief was around. At the same time, as another vendor observed, “we were selling in the street, and the street is the street, and is always dangerous”.

#### **5) Skill reproduction security:**

One third among the vendors surveyed for this research (35 percent) believed that their skills were not being fully utilized at work. This relates to the fact that many of the vendors became vendors not by choice but out of need. As noted before, some of the vendors had high levels of education; however, they were not able to find jobs in their areas of expertise. As a result, they had to recur to informal street vending in order to survive. Most vendors interviewed reported having family members or friends that helped them learn how to become vendors. Vendors that produce their merchandise usually gain their skills by working as apprentices for friends or family, and eventually start producing for themselves.

As noted during the interviews by one of the vendors, “growing up as the child of a vendor exposes you to a totally different reality than the one experienced by a regular child. 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 child of a vendor is ‘street smart’; obviously, he was brought up among grown up people”. The children of vendors usually help their parents at work, and some of them, eventually become vendors themselves. When they start working as vendors, they usually sell the same type of product they had been initiated to sell. As they gain experience, they might change products either by finding a new product or by learning new skills.

After formalization, 92 percent of the vendors received training related to their business. All training was provided by the MDMQ through the UECM and almost 70 percent received certification upon completion. Although the survey shows that all vendors that received training believed they have benefited from it, most of them noted that they have not been able

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<sup>49</sup> Quito is located near the Ecuador at 2,850 meters above sea level. Basically, there is a dry season and a wet season of six months each. Due to its altitude, temperatures fluctuate widely during the day.

to incorporate what they learnt in 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 have never kept separate accountings for their business and the household, not even after formalization. As one vendor put it, “the flow of sales was so big and prizes changed so much that we did not have time to right down anything”. Most of them used what I have termed “right pocket accounting”, which is basically keeping all money and receipts in one pocket and memorizing important expenditures and sales, both for the business and the household combined. Usually, the head of the household would be the one keeping all the money and receipts in his or her pocket, and would have a lot of decision making power regarding spending. An important observation that emerged from the interviews is that in most cases women were the ones in charge while men play a support role. The same was true for many of the associations of vendors, which were headed by women. Ecuadorians refer to this concentration of power by women as ‘matriarcado’ (power of women).

#### **6) Income security:**

More than half of the vendors (52 percent) believed that they earn more or less the same as other vendors in the other CCAs do. The majority of vendors (71 percent) reported having fluctuations in sales throughout the year, especially during peak seasons, 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 moved into the CCAs.

Thirty five percent of the vendors reported having another source of income during the previous month. Among them, the most common sources of extra income were: other business (37 percent), pensions (37 percent), remittances (12 percent) and gifts (12 percent). During the interviews, some vendors reported having family members working as vendors at other locations. It is common for households of vendors to diversify sources of income; as street vendors, many usually work in different locations depending on the day of the week. Vendors that are part of the same family and work close, usually move to the most profitable store during peak hours. This allows them to use their labour and time more efficiently while adapting to demand.

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 head of businesses, and in the same way that they do not separate their accounts, they also do not separate their frustrations, with one area spilling on the other. As a result, family life follows the cycles of business for many of the vendors.

#### **7) Representation security:**

At the time of the fieldwork, only 21 percent of the vendors surveyed reported being part of an association or organization of vendors, while 51 percent reported being part of an association or organization of vendors before formalization. When asked which actor they approached when facing a problem at work, 91 percent of vendors reported approaching the UECM office. Less than half of the vendors (42 percent) knew about the existence of

associations or organizations of vendors operating in the Ipiates Mires at the time of the survey.

Associations formed over time based on location and common interests. To some extent, they fulfilled many aspects of the role that the UECM is fulfilling today. The main role of associations in the past was to protect and organize the use of space among the vendors, provide a social security net, and act as interlocutors between the vendors and the authorities. In addition, many associations provided vendors with security, electricity and cleaning. This set of common interests were determined to the vendors by the reality and context in which their activity took place. To a large extent, the associations emerged as a response to the indifference and inaction of the MDMQ towards the vendors. As they moved into the CCAs their reality completely changed. In addition, many among the vendors have expressed anger and frustration over alleged corruption that took place among the leaders of the associations. As a result of these circumstances, many among the vendors no longer felt represented by their associations and believed that they no longer served a useful purpose.

Before formalization, most vendors interviewed reported participating in the meetings of the associations regularly. Most of the associations were well structured and organized. Decisions used to be made democratically and elections of the president, secretary and treasurer used to take place every year. Vendors that would skip a meeting of the association would be charged a fine, and most times, all members participated.

## 4.7 Summarizing Decent Work Deficits

Table 3

Analysis of the 7 dimensions of decent work		
Assesement of the 7 dimensions of Decent Work before and after formalization:		Analysis through the indicators of decent work <sup>1</sup> :
1) Labour	Improved but still presents deficits.	-vendors have a regular job but are usually exposed to fluctuations in the market that are beyond their control. -vendors work excess hours. -vendors are working less hours now than before formalization.
2) Employment	Improved but still presents deficits.	-vendors own their stores. -most vendors have been working as vendors for most of their lifes. -most vendors remain without any type of social security coverage. -associations, which provided the equivalent to social security for many vendors, have lost relevance. -most vendors had a fixed location before formalization, which provided them with a sense of stability.
3) Job	Deteriorated.	-most vendors reported a decrease in income and fluctuations depending on season (only 28 percent believe their incomes will increase during the next year). -as vendors transition from 'the stall to the store', they remain vulnerable and 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) Skill reproduction	Improved.	-most vendors have received formal training after formalization. -although most vendors reported benefiting from the training, also most of them reported currently not using what they learnt at work. -as some of the vendors have high levels of education, there is still a mismatching of capabilities and work among many of them.
6) Income	Deteriorated.	-most vendors reported reduced sales and income. -most vendors reported fluctuations in sales and income. -some vendors reported having a second source of income besides the store.
7) Representation	Deteriorated.	-before formalization, associations formed based on the particular reality and needs of vendors. -although some associations took advantage of vendors, many of them fulfilled very important functions (e.g. security, health, mediation among vendors). -working on the CCAs presents a radical change of that reality. -most vendors remain dubious and spetic about the actual importance of having representation.

## Chapter V

### CONCLUSIONS AND POLICY CONSIDERATIONS

#### **5.1 The context of informality and formalization in Ecuador**

Over the last sixty years, the informal economy has played an increasingly important role in the overall economy of Ecuador, both in terms of job creation and contributions towards GDP. The rapid population growth concentrated in Quito and Guayaquil, compounded by rural-urban migration accelerated the process of urbanization that resulted in an excedental supply of labor. As both government and market failed to create a sustained demand for labor, the informal economy emerged as an alternative for income generation and employment creation, especially for the most vulnerable groups within societies. Over the years, some governments have moved from efforts to reduce and control the informal economy towards efforts to support it and capitalize from its potential.

Decentralization policies implemented in Ecuador during the 1990s empowered the MDMQ to take a leading role in the process of local development. This coincided with the implementation of policies aimed at reducing the size of the state, which resulted in insufficient financial resources available for local governemts. The declaration of the HCQ as Cutural Patrimony of Humanity by the UNESCO in 1978 placed added pressure and responsibility on the MDMQ to organize and administer the use of public space in the area. Faced with these circumstances, the MDMQ engaged in a series of total and partial tercerization of services with the private sector, civil society and international organization. The objective of these new institutional arrangements was to fulfil the new roles and responsibilities assigned to local governments while at the same time maximizing the use of existing resources.

In that context, informal street vendors were perceived as the main obstacle for the development of the area. The Master Plan, approved in 1992, represented the first time the MDMQ recognized the intrinsic value of the informal street vendors for the overall functioning of the economy and society. 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 HCQ.

#### **5.2 Formalization Quito style**

After years of negotiations, in 2003, about six thousand five hundred informal street vendors were formalized. For the MDMQ, formalization took a very particular meaning. As discussed before, there are two approaches to the informal economy; one is to ‘formalize’ the economic units participating in the informal economy, and the other, is to extend the existing regulations and benefits of the formal economy to the informal one. The former was the one utilized in Quito (see Figure 6).

The process of formalization included a number of phases: 1) recognizing the importance informal street vendors played in the overall economy and society, 2) registering all the vendors that worked in the area of the HCQ, 3) articulating policies that included the interests of all actors present in the HCQ through the formulation of 'Integral Plans', 4) negotiating with all parts involved, 5) supporting the construction of CCAs and relocation of the vendors, 6) keeping control over the use of public spaces, 7) providing the vendors with training, 8) administering and promoting the CCAs, and 9), encouraging the vendors to take advantage of a flat taxing system.

Figure 6

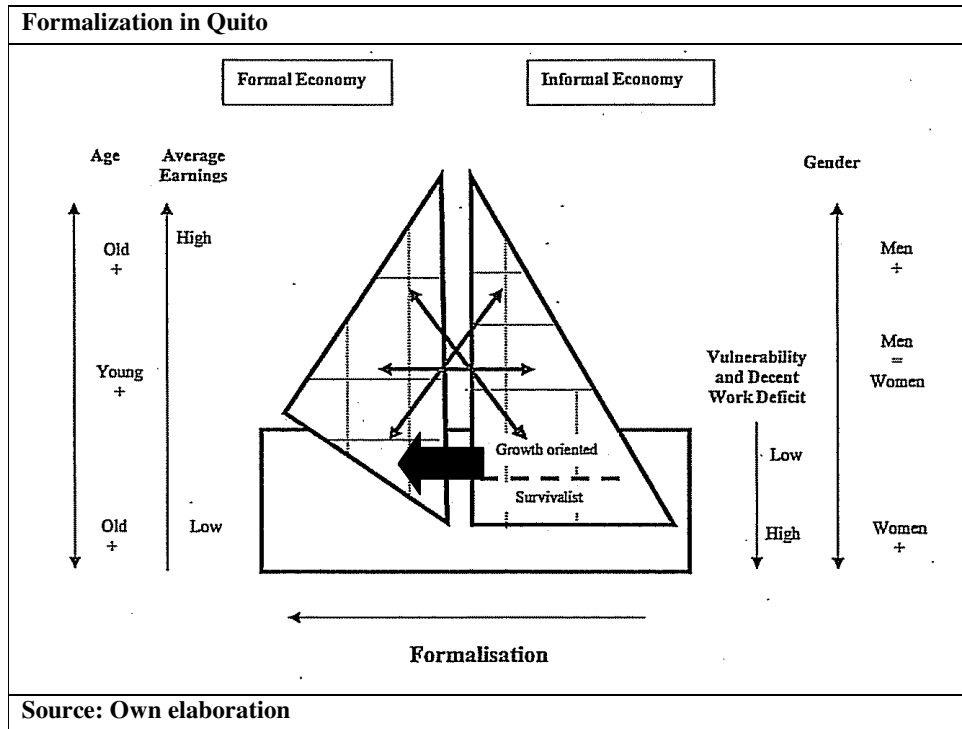


Figure 6 can be used again to show that formalization does not necessarily lead to an improvement in the working and living conditions of those that are formalized. Those working at the bottom of the formal economy are often exposed to the same type of decent work deficits and vulnerabilities that informal workers are. The research at the 'Ipiales Mires' confirmed the prevalence of women, the elder and the younger among the most vulnerable. It also confirmed the links between the formal and informal economy. And finally, through the experiences of the vendors, shed light into how segmentation of the markets acts as a barriers for the mobility of workers.

### 5.3 Working and living conditions of vendors before and after formalization

The analysis of the working and living conditions of vendors before and after formalization provided mixed results. While some dimensions of the working conditions of vendors have improved (i.e. labour, employment, work and skill reproduction), others have worsened (i.e. job, 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 including vendors that have accessed only some of the benefits yielding mixed results from formalization.

The first group are the growth-oriented vendors that had entrepreneurial capabilities before formalization. Their business has improved, imparting positive spillovers in the different dimensions of their working and living conditions. They would gain the most from strategies aimed at improving their overall business performance, such as business development services.

The second group are survivalist vendors that entered the informal economy in order to survive. They usually lived on a day by day basis, earning incomes only a little above poverty levels, which sometimes were enough to cover all basic needs and sometimes are not. One of the pillars of their survival was diversification of sources of income. The mobility of the stall allowed vendors to work in different markets throughout the week. Having to work everyday on the same store has limited their capacity for diversifying their sources of income. For them, the lost of mobility and decreases in sales have meant becoming more vulnerable.

#### **5.4 Decent work as a tool for assessing the working and living conditions of vendors**

One of the main challenges of this research was the operationalization of the decent work deficit framework and indicators at the micro level. Given the particularities of informal street vending, it was necessary to adapt the indicators previously used by other researches to ensure that they effectively reflected the reality of vendors. In that respect, adjustments were made both to the design and the implementation of the survey. The interviews with the vendors played a key role in understanding and complementing the information gathered through the survey.

The ‘before’ and ‘after’ comparative element allowed for the analysis of changes over time, breaking the mold of previous studies which have aimed at capturing decent work deficits at a particular point in time and carrying similar studies in the future for comparison. Allowing the same person to compare his or her situation over time, gives the researcher the opportunity for assessing more accurately the impact of a particular intervention.

Approaching the vendors through their place of work instead of the household allowed for a broad understanding of the working conditions of vendors, which was assessed not only with the information gathered through the surveys and the interviews, but also through first-hand observation of their place of work and daily routine.

Overall, decent work deficits proved to be a very useful tool for assessing the different dimensions of the working and living conditions of vendors. By capturing a number of different dimensions, rather than only focusing on income, the decent work deficits approach contributes to a holistic understanding of the circumstances that define the quality of jobs.



## **5.5 Challenges ahead**

Seven years since the inception of the CCAs, it is evident today that vendors could not afford the cost of running the centres without the support of the UECM (e.g. administration, security, cleaning, maintenance of infrastructure). Currently, the future of the UECM is uncertain, as its mandate has been extended a number of times. As noted before, a large number of vendors still need support in their transition from the stall to the store while a much larger number of vendors and workers are waiting for their turn to be formalized.

Addressing the current decent work deficits should be a priority for the local government, especially among the survivalist vendors. First, the absence of representation needs to be filled. In order to do so, vendors should be assisted in either reforming their old associations or forming new ones that represent their reality and interests. Second, vendors should be assisted in dealing with fluctuations in the market and lack of mobility by providing them support in promoting the centres while at the same time build their capabilities so they can become successful store vendors.

During the interviews with the vendors, many of them noted that 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, the commercial activity that used to take place at 'La Ipiales'. Although the exact number of vendors in this situation is unknown, estimates place three thousand vendors outside the reach of associational membership 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 vendor's 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.

Last, as observed by one of the interviewed vendors, it is fundamental that these commercial centers avoid becoming 'elefantes blancos' (white elephants) that look great and precious from afar but that do not serve the purpose of improving the working and living conditions of vendors.

## **5.6 Policy considerations**

'Formalization policies' should come in different 'sizes' so they can be adapted to the particular needs and realities of the different groups that are being formalized. As noted in Figure 6, growth-oriented and survivalist vendors experience different realities and thus, have different needs. While growth-oriented vendors have good chances of benefiting from formalization policies that 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.

Formalization cannot be conceived as a one-time effort, a static effort, but should rather be understood as a process that extends over time and requires long-term institutional

compromise. As noted by Helmsing, “enablement practices that are not legally enshrined would stand the risk of being dependent on particular favourable political or other circumstances (e.g. presence of a committed mayor or of a particular political party) (Helmsing 2001: 11). Informality is a dynamic phenomenon and should be addresses through the creation of dynamic institutions that can adapt to the reality of its changing environment. If formalization is not institutionalized through the creation of permanent offices, proceses such as the one witnessed in Quito, run the risk of serving political interests in the short-run while failing in the long-term.

In this context, local governments have a very important role to play, by leading the process and integrating the interests of all actors through participation, especially the most vulnerable. In short, local governments are in a privileged position to take a leading role in the process of formalzation and overall local development.

Taking a leading position does not always mean making all the decisions or fulfilling all roles. As noted in the case of Quito, local governments can create partnerships with different actors from the private sector, civil society and international organizations to achieve developmental objectives.

Finally, it is important to realize that formalization processes do not occur in a ‘bubble’ and although they should be undertaken locally, efforts need to be coordinated at the national level for them to succeed in the long-term. Local governments can benefit from coordinating efforts and sharing the knowledge gained from their experiences. At the same time, they can increase and strength their collective voice at the national level.

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**Appendix I**

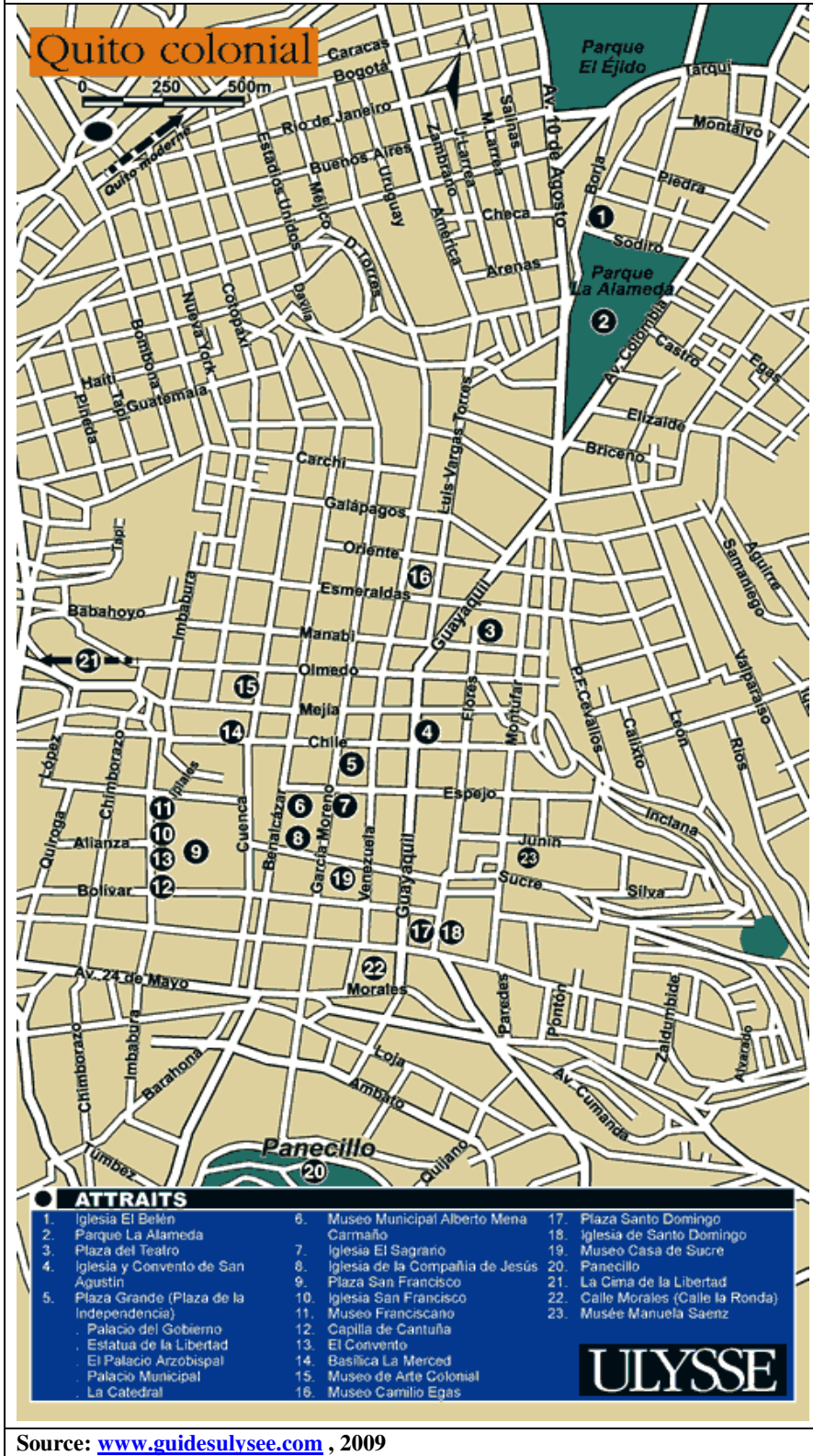
**Map: Map of Ecuador, 1991**





**Appendix II**

**Map: Map of the Historic Centre of Quito (HCQ), 2009**





### **Appendix III**

#### **Existing Popular Commercial Centres (PCCs) – Centros Comerciales Populares (CCPs) in Quito as of August of 2009<sup>50</sup>.**

<b>Name</b>	<b>Location (streets)</b>	<b>Capacity (number of stores)</b>
1) Centro Comercial El Tejar	HCQ - Lopez between Hermano Miguel and Mejia	1,200
2) Centro Comercial Hermano Miguel	HCQ - Imbabura between Hermande Miguel and Mejia	1,600
3) Centro Comercial Granada	HCQ - Corner of Chile and Cuenca, La Merced Square	430
4) Centro Comercial Montufar	HCQ - Montufar between Olmedo and Mejia	397
5) Centro Comercial La Merced	HCQ - Cuenca between Mejia and Olmedo	208
6) Centro Comercial Ipiates Mires	HCQ - Corner of Mejia and Mires	209
7) Centro Comercial San Martin	HCQ - Avenue Pichinca and Inclana	429
8) Centro Comercial Nuevo Amanecer	HCQ - Lopez between Hermano Miguel and Mejia	250
9) Centro Ipiates del Norte	NORTH – Gonzalo Gallo and Jorge Piedra	n/a
10) Centro Comercial Ipiates del Sur	SOUTH – Avenue Mariscal Sucre and Moran Valverde	350
11) Centro Comercial Chiriyacu	SOUTH – Gualberto Perez	500
12) Centro Comercial CABLEC ('Feriantes de Martes y Sabados')	SOUTH	2,100
<b>Total number of stores available as of August 2009:</b>		<b>7,673</b>

<sup>50</sup> Information available at the official website of the MDMQ ([www.quito.gov.ec](http://www.quito.gov.ec)), August 2009

## **Appendix IV**

### **List of interviews performed during the fieldwork for this research (in the order the interviews took place):**

- 1) Alfredo Santillan, Coordinator of City Studies at the Facultad Latino Americana De Ciencias Sociales (FLACSO), August 2009
- 2) Luis Gonzales, Manager, PCC Ipiales Mires, August 2009
- 3) Gonzalo Ortiz-Crespo, Sociologist and former City Councilor of Quito, August 2009
- 4) Colonel Luis Montalvo, Director, Unidad Ejecutora del Comercio Minorista (UECM), August 2009
- 5) Alejandro Lopez-Lamia, IDB, August 2009
- 6) Rocio Estrella, ECH-INNOVAR, August 2009
- 7) Jorge, 40 years old, taxi driver, former customer at La Ipiales, August 2009
- 8) Edgard, 37 years old, taxi driver, former customer at La Ipiales, August 2009

### **Vendors<sup>51</sup>:**

- 1) 'Facundo' (man, 35 years old), formalized vendor, PCC Ipiales Mires, August 2009
- 2) 'Santiago' (man, 65 years old), formalized vendor, PCC Ipiales Mires, August 2009
- 3) 'Celeste' (woman, 65 years old) and 'Francisco' (man, 75 years old), formalized vendors, PCC Ipiales Mires, August 2009
- 4) 'Magdalena' (woman, 60 years old), formalized vendor, PCC Ipiales Mires, August 2009
- 5) 'Granddaughter' (woman, 28 years old) of formalized vendor, vendor, PCC Ipiales Mires, August 2009
- 6) 'Group of ladies' (3 women between 65 and 75 years old), formalized vendors, PCC Ipiales Mires, August 2009

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<sup>51</sup> All real names of vendors have been changed in order to protect their identity.

## Appendix V

### Table

<b>Characteristics of survival and growth-oriented enterprises</b>	
<b>Survival(ist)</b> (Street businesses, Community of the poor, [Microenterprise,] Informal own-account proletariat, Sub-subsistence)	<b>Growth(-oriented)</b> (Small-scale family enterprise, Intermediate sector, [Microenterprise,] Petty bourgeoisie, Micro-accumulation)
Ease of entry, low capital requirements, skills and technology	Barriers to entry
Involuntary entrepreneurs	Entrepreneurs by choice, often with background in regular employment
Female majority	Male majority
Maximizing security, smoothing consumption	Willingness to take risks
Part of diversification strategy, often run by idle labour, with interruptions, and/or part-time	Specialization
Embeddedness in social relations, obligation to share	Disembeddedness, ability to accumulate

**Source: (Berner et al. 2008: 7)**

## **Appendix VI**

### **Interviews with vendors - English version**

#### **In-depth interviews on working conditions of the vendors that participated in the process of modernization and reorganization of the popular commerce (formalization) in the Historic Centre of Quito (HCQ)**

This in-depth interview seeks to collect information that will be used to write a research paper (thesis), which is required as part of a master degree program in Development Studies. The objective of this survey is to better understand how the process of modernization and reorganization (formalization) altered the different dimensions of the working conditions of vendors that are currently selling their products in the Popular Commercial Centre, IpiALES Mires. All the information will be solely utilized for academic purposes and will be kept absolutely anonymous and confidential. It is important to highlight that the respondent's name will not be asked and that it is not necessary to answer all questions.

#### **1) General Information:**

- Socio-economic background
- Previous working experience

#### **2) Life as a vendor:**

- Becoming a vendor
- Experience as vendor

#### **3) One entire day before 'formalization':**

- Working hours
- Characteristics of work and working conditions
- Family and work
- Stability
- Doing business /Access to credit / gaining skills
- Dangers and annoyances
- Relationship with the authorities
- Positive aspects of working as a street vendor
- Conflicts among vendors and with other actors
- Associations of vendors

#### **4) One entire typical day after formalization:**

Working hours  
Characteristics of work and working conditions  
Family and work  
Stability  
Doing business /Access to credit / gaining skills  
Dangers and annoyances  
Relationship with the authorities  
Access to training  
Positive aspects of working as a store vendor  
Conflicts among vendors and with other actors  
Associations of vendors  
Payment of taxes

#### **5) Expectations for the future:**

What aspects of your work as a vendor would you change? What type of things could contribute towards the improvement of your working conditions?

How would you assess the current administration of the CCAs, in charge of the UECM / MDMQ?

Do you believe that the associations should eventually take responsibility over the administration of the CCAs? How should the centres be administered?

Would you be willing to pay taxes? Would you be willing to pay a monthly service fee for the services received in the market, such as cleaning, security, electricity, etc? How much would you be willing to pay for those services?

Taking into account **all** aspects of your life, from 1 to 10, how satisfied would you say you are with your quality of life?

## **Appendix IV**

### **Survey - English Version**

#### **Survey on working conditions of the vendors that participated in the process of modernization and reorganization of the popular commerce (formalization) in the Historic Centre of Quito (HCQ)**

This survey seeks to collect information that will be used to write a research paper (thesis), which is required as part of a master degree program in Development Studies. The objective of this survey is to better understand how the process of modernization and reorganization (formalization) altered the different dimensions of the working conditions of vendors that are currently selling their products in the Popular Commercial Centre, Ipiales Mires. All the information will be solely utilized for academic purposes and will be kept absolutely anonymous and confidential. It is important to highlight that the respondent's name will not be asked and that it is not necessary to answer all questions.

#### **Part A: Business profile (observation from the interviewer)**

1. Business location:

[Ground floor] [First floor] [Second floor] [Third floor]

2. Available access for customers and products:

[Elevator] [Ramps] [Stairs – mechanic] [Stairs]

3. Services available inside the business or in the same floor:

[Toilette] [Sink] [Electricity] [Water] [Security cameras] [Others]:

4. Types of products for sale:

[Food pre-cooked] [Food prepared in the moment]

[Clothes] (men) (women) (children) [Shoes] (men) (women) (children)

[Electronics] [Cell phones] (new) (used)

[Sport equipment] [Office / school stationary]

[CDs / DVDs / Games] [Others]

5. Is there good ventilation? [Yes] [No]
6. Is there [natural] or [artificial] light? [Both natural and artificial light]
7. Is the business clean? [Yes] [No] [More or less]
8. Is the business organized (neat)? [Yes] [No] [More or less]
9. How are the prices established? [Visible to the customer] [Negotiated between seller and buyer]
10. Are the products easy to find and identify? [Yes] [No] [More or less]
11. Presentation of the vendor: [Very good] [Good] [Satisfactory] [Non-satisfactory]
12. Products for sale: [New] [Used] [Dubious procedence]
13. Quality of the products: [Very good] [Good] [Satisfactory] [Non-satisfactory]

**Part B: Vendor profile**

14. Age:

15. Sex:       [Man] [Woman]

16. Marital status:

[Single] [Married] [Free union] [Divorced] [Widow]

17. Place of birth:

City:

Province:

Country:

18. Years of education completed:

Primary school:

Secondary (high school):

University:

Others (specify):

19. Who do you live with (who is usually home for dinner)?

Children below 12 years old:

Other people older than 12 years old:

**If respondent has children below 12:**

When you come to work, do you bring your children with you? [Yes] [No] [Sometimes]

**If the answer is Yes:**

What do your children do while you work? More than one answer is allowed:  
[Play near the business] [Help with work]  
[Go to school] [Attend childcare] [Other activities]:

Are you worried about your children's security while you are working? [Yes] [No]

20. From the people that live with you, does any of them work with you? [Yes] [No] [Sometimes]

**If the answer is Yes:**

How many of them work with you?

Do they work with you on a [permanent] basis or [only during specific times of the year, such as Christmas, etc]?

Do they receive a salary or commission [Yes] [No]

21. Do you have employees working with you through the whole year? [Yes] [No]

22. Do you hire employees during specific times of the year, such as Christmas, etc.? [Yes] [No]

23. Have you always sold the same type of product? [Yes] [No]

**If the answer is No:**

What type of products did you sell before?

Why did you change?



24. Have you ever worked for a salary (as an employee)? [Yes] [No]

If the answer is Yes:

Did you have a fix contract? [Yes] [No]

Did you receive a fixed salary or commission for your work? [Yes] [No]

Why did you decided to become self-employed? [I was fire] [Better opportunities as self-employed] [Difficulty to find other salaried job] [Others]:

25. Besides your business, do you have other activities that generate an income? [Yes] [No]

If the answer is Yes:

[Other business] or [Salaried work]

26. The income generated by you in this business, represent what percentage of total household income?

[Only income] [More than half] [Less than half] [Half]

27. Do you produce the products that you sell? [Yes] [No]

If the answer is NO:

Where do you buy your products?

[Directly from producers] [Through retailers]

What is the origin of the products you have for sale? [Ecuador] [Colombia] [China – Asia] [Other countires]

28. Where do you store your products?, it can be more than one:

[Business] [Home] [Other]:

29: Do you buy your products on credit? [Yes] [No]

If the answer is Yes:

Do you consider the interest rate you paid is: [Low] [Average] [High] [Exesivly high]?

Who is the provider of the credit?  
[Producer] [Retailer] [Bank or financial institution] [Friends or family] [Others]:

30. Who are the majority of your clients?, it can be more than one:

[Foreign tourist] [Middle] and lower class Ecuadorians] [“Upscale” Ecuadorians]

31. Do you have any family member that has a business in this or any of the other Popular Comercial Centres? [Yes] [No]

**If the answer is Yes:**

What is your relationship with that person?

32. If in a ruffle you won another business in one of the Popular Comercia Centres, would you [keep it] or [sell it]?

**If keep it:**

Who would take care of that business?

Would you rent it?

## **Part C: Dimensions of Decent Work – Informality to Formality**

### **1) Labour market security:**

33. How many days a week do you work in this business?

34. Would you like to work more days a week?

35. How many hours a day do you work in average?

36. Would you like to work more hours a day?

37. Before you started working in the Ipiales Mires market,

Did you work [more] or [less] hours a day? Or the [same]?

Did you work [more] or [less] days a week? Or the [same]?

### **2) Employment security**

38. Do you [own] or do you [rent] this business?

39. Before you started working in the Ipiales Mires market, did you have a fixed place where to sell your products? [Yes] [No]

**If the answer is Yes:**

Were you required to pay for rent or any other cost? [Yes] [No]

**If the answer is Yes:**

Who did you pay to? [Municipality] [Asociations] [Others]:

Did you pay [voluntarily] or [obliged]?

Did you pay [by day] or [by week] or [by month]?

How much did you used to pay?

Was it [always the same amount] or it [would change from time to time]?

40. For how many years have you been in this business at this Popular Comercial Centre?

41. Do you think that in one year you will still be working in this business at this Popular Comercial Centre? [Yes] [No] [Do not know]

42. Are you insured against [robbery] and/or [fire]? [None] [Both]

43. Are you a beneficiary of the Ecuadorian Social Security Institute (IESS – RISE)? [Yes] [No]

44. Do you contribute to any plan or scheme that would grant you access to medical services? [Yes] [No]

45. Do you contribute to any plan or scheme that would grant you retirement benefits in the future? [Yes] [No]

46. Do you contribute to any plan or scheme that would guarantee an income in case of injury or impossibility of continuing working? [Yes] [No]

### **3) Job Security**

47. Since you started working at the Ipiales Market, you think your income has [increased] [decreased] or [remained the same]?

48. During the next year, do you think your income will [increase], [decrease], or [remain the same]?

#### **4) Work Security**

49. Do you consider the Ipiales Mires market to be a secure working place (robberies, fires, abuses, etc.)? [Yes] [No]

50. Do you consider the Ipiales Mires market presents any risks for your health (cold, heath, pollution, etc.)? [Yes] [No]

51. Comparing with the time when you used to sell your products in the street, do you believe that now you are:

[More safe and secure] [Equally safe and secure] [Less safe and secure]

#### **5) Skill reproduction security**

52. Do you believe that your current job allows you use all your skills and capabilities? [Yes] [No]

53. Have you received any kind of capacitation since you started working at the Ipiales Mires Market? [Yes] [No]

**If the answer is Yes:**

Do you think the training provided has helped you to improve the way in which you conduct your business? [Yes] [No]

Did you have to pay for it? [Yes] [No]

Who provided the training?  
[Municipality] [Asociations] [NGOs]  
[Other]:

After completing the training, did you receive a certificate of completion? [Yes] [No]

#### **6) Representation security**

54. Are you a member of any organization or association representing the interests of vendors? [Yes] [No]

If the answer is Yes:

For how many years you have been a member?

Do you feel represented by that organization or association? [Yes] [No] [More or less]

Did you participate in the process by which the authorities of this organization or association were elected? [Yes] [No]

How often do you participate in the meetings where decisions that might affect your working conditions are taken? [Never] [Sometimes] [Always]

55. Were you a member of any association or organization of vendors before you started working at the Ipiales Mires market? [Yes] [No]

56. When you have a problem or issue with your business, who do you reach or contact?

The [administration of the market], [an organization or association] or [others]

57. Are there any organizations or associations of vendors currently at the Ipiales Mires market? [Yes] [No]

## 7) Income security

58. In comparison with the incomes of other vendors currently working at any of the Popular Commercial Centres, do you consider your income to be:

[Below most other vendors] [More or less the same]

[Above most other vendors]

59. Since you started working at the Ipiales Mires market, your income has [been always more or less the same] or has [changed depending on the time of the year]?

60. During last month (June 2009), did you have any other income besides the one generated by your business?

[Other business (formal) / (informal)]

[Money sent by family or friend abroad]

[Presents]

[Pensions]  
[State assistance (Bono de Desarrollo Solidario)]  
[Income from investments]  
[Others]:  
[None]

61. What expenses did you have last month (June 2009) related with this particular business?

Rent:  
Purchase of stock:  
Business improvements:  
Electricity:  
Water:  
Telephone:  
Taxes:  
Salaries:  
Other expenditures (please explain):

62. What approximate income did you have last month (June 2009) related with this particular business?

## Appendix VIII

### Summary of the survey:

The following tables summarize the responses obtained through the survey and include results that were not presented in the document.

#### **Profile of business:**

<b>1-Distribution of observations in different levels of market:</b>		
Level	F	%
1	5	35.7
2	1	7.1
3	6	42.8
4	2	14.2
Total	14	

<b>13-Quality of merchandise:</b>		
	F	%
Deficient	0	0
Acceptable	6	42.8
Good	6	42.8
Very good	2	14.2
Total	14	

<b>30-Most regular clients:</b>		
	F	%
Other vendors (minoristas)	1	7.6
Low and middle class Ecu.	7	53.8
Above + Foreign tourist	4	30.7
Low, middle and upper class Ecu.	1	7.6
Total	14	

#### **Profile of vendors:**

<b>14-Average age:</b>	
Total	51.6
For men	53.1
For women	50.1

<b>16-Marital status:</b>		
	F	%
Widow	1	7.1
Free union	1	7.1
Married	11	78.5
Single	1	7.1
Total	14	

<b>17-Place of birth:</b>		
	F	%
Quito	4	28.5
Other than Quito	10	71.4
Total	14	

<b>18-Years of education completed:</b>	<b>Ipiales Mires</b>	<b>National</b>	<b>Urban Pop.</b>	<b>Quito</b>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Total	12.2	8.5	9.9	11.1
For men	11.4		10.0	11.5
For women	13.1		9.7	9.1

<b>20-Has family members as employees:</b>		
	<b>F</b>	<b>%</b>
No	5	38.4
Yes	5	38.4
Sometimes	3	23.0
Total	13	

<b>21-Has permanent employees:</b>		
	<b>F</b>	<b>%</b>
No	13	92.8
Yes	1	7.1
Total	14	

<b>22-Hires employees on special seasons (e.g. Christmas):</b>		
	<b>F</b>	<b>%</b>
No	13	92.8
Yes	1	7.1
Total	14	

<b>23-Always sold same type of product:</b>		
	<b>F</b>	<b>%</b>
No	3	21.4
Yes	11	78.5
Total	14	

<b>24-Worked as an employee before:</b>		
	<b>F</b>	<b>%</b>
Total	8	57.1
For men	5	71.4
For women	3	42.8

<b>24-3-Reason for becoming informal street vendor:</b>		
	<b>F</b>	<b>%</b>
Got fired from wage job	1	12.5
Better opportunities as vendor	5	62.5
Difficulty finding formal job	0	0
Others	2	25
Total	8	



<b>25-Has other activities that generate income:</b>		
	<b>F</b>	<b>%</b>
Total	4	28.5
For men	2	28.5
For women	2	28.5

<b>26-Income generated by business as % of total household income:</b>		
	<b>F</b>	<b>%</b>
Less than half	5	35.7
Half	3	21.4
More than half	1	7.1
Only income	5	35.7
Total	14	

<b>27-Merchandise production:</b>		
	<b>F</b>	<b>%</b>
Produced by vendors	5	35.7
Not produced by vendors	9	64.2
Total	14	

<b>27-1-Supply of merchandise:</b>		
	<b>F</b>	<b>%</b>
Directly from producers	2	20
Through retailers	8	80
Total	10	

<b>27-2-Origin of merchandise:</b>		
	<b>F</b>	<b>%</b>
Ecuador	7	77.7
Other	2	22.2
Total	9	

<b>29-Buys merchandise on credit:</b>		
	<b>F</b>	<b>%</b>
No	9	64.2
Yes	5	35.7
Total	14	

<b>29-2-Source of credit:</b>		
	<b>F</b>	<b>%</b>
Suppliers (retailers)	5	100

<b>31-Has other family member that owns a store in one of the PCCs:</b>		
	<b>F</b>	<b>%</b>
No	11	78.5
Yes	3	21.4
Total	14	

## The seven dimensions of decent work:

### 1) Labor security:

<b>35*33-Average working hours per week<sup>52</sup>:</b>	<b>Ipiales</b>	<b>National</b>	<b>Urban</b>	<b>Quito</b>
Total	50.9	42.3	44.4	45.2
For men	58.0		47.3	47.8
For women	43.8		40.3	42.3

<b>34-% That would like to work more days a week:</b>		
	<b>F</b>	<b>%</b>
Total	4	33.0
For men	1	20.0
For women	3	42.0

<b>36-% That would like to work more hours a day:</b>		
	<b>F</b>	<b>%</b>
Total	8	66.5
For men	5	83.0
For women	3	50.0

<b>37-1-Working hours before formalization:</b>		
	<b>F</b>	<b>%</b>
More	7	50.0
The same	4	28.0
Less	3	21.0
Total	14	

<b>37-2-Working days a week before formalization:</b>		
	<b>F</b>	<b>%</b>
More	7	50.0
The same	4	28.0
Less	3	21.0
Total	14	

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<sup>52</sup> Information on 'national', 'urban' and 'Quito' was gathered by the National Institute of Statistics and Census of Ecuador (INEC), National Survey of Employment, Unemployment, and Sub-employment (ENEMDU), December 2007.

## 2) Employment security:

<b>38-% That rents or owns the store:</b>		
	<b>F</b>	<b>%</b>
Owns	11	78.57
Rents	3	21.43
Total	14	

<b>39-Had a fixed place to sell products before formalization.</b>		
	<b>F</b>	<b>%</b>
No	5	35.71
Yes	9	64.29
Total	14	

<b>39-1-Had to pay a fee to make use of public space:</b>		
	<b>F</b>	<b>%</b>
No	3	33.3
Yes	6	66.6
Total	9	

<b>41-Thinks that will continue to work in the same store during the next year:</b>		
	<b>F</b>	<b>%</b>
Yes	14	100
Total	14	

<b>42-Store is insured against:</b>		
	<b>F</b>	<b>%</b>
Fire	0	0
Robbery	0	0
Both	0	0
None	14	100
Total	14	

<b>43-Vendors that have access to insurance coverage:</b>		
	<b>F</b>	<b>%</b>
IESS (pension)	4	30.7
Medical	5	35.7
Retirement	6	42.8
Accident	2	14.3

## 3) Job security:

<b>47-Income change after formalization:</b>		
	<b>F</b>	<b>%</b>
Decreased	12	85.7
Increased	1	7.1
Same	1	7.1
Total	14	

<b>48-Expected income during next year:</b>		
	<b>F</b>	<b>%</b>
Decrease	7	50.0
Increase	4	28.5
Same	3	21.4
Total	14	

**4) Work security:**

<b>49-% That believes the Ipiales Mires is a secure place to work (robbery, fire, harrassement):</b>		
	<b>F</b>	<b>%</b>
No	2	14.2
Yes	12	85.7
Total	14	

<b>50-% That believes the Ipiales Mires is a safe place to work (health):</b>		
	<b>F</b>	<b>%</b>
No	7	50.0
Yes	7	50.0
Total	14	

<b>51-Overall assesment by vendor of safety and security as compared with situation before formalization:</b>		
	<b>F</b>	<b>%</b>
Less	0	0
Equal	4	28.5
More	10	71.4
Total	14	

**5) Skill reproduction security:**

<b>52-% that feels it is using previously learnt skills at current work (store):</b>		
	<b>F</b>	<b>%</b>
No	5	35.7
Yes	9	64.2
Total	14	

<b>53-% that has received training after formalization:</b>		
	<b>F</b>	<b>%</b>
No	1	7.1
Yes	13	92.8
Total	14	

<b>53-1-% that believes has benefited from training received:</b>		
	<b>F</b>	<b>%</b>
No	0	0
Yes	13	100
Total	13	

<b>53-4-% that received formal certification after completing the training:</b>		
	<b>F</b>	<b>%</b>
No	4	30.7
Yes	9	69.2
Total	13	

**6) Representation security:**

<b>54-% That reports being member of an association or organization of vendors at the time of the survey:</b>		
	<b>F</b>	<b>%</b>
No	11	78.5
Yes	3	21.4
Total	14	

<b>55-% That reports being a member of an association or organization of vendors before formalization:</b>		
	<b>F</b>	<b>%</b>
No	6	42.8
Yes	8	57.1
Total	14	

<b>56-Actor approached when problems at the market arise:</b>		
	<b>F</b>	<b>%</b>
Market Adm.	11	91.6
Org. and/or Assoc.	0	0
Both above	1	8.3
Others	0	0
Total	12	

<b>57-% That knows about the existence of other associations or organizations operating at the market:</b>		
	<b>F</b>	<b>%</b>
No	6	42.8
Yes	6	42.8
Do not know	2	14.2
Total	14	

**7) Income security:**

<b>58-Perception of own income as compared with others doing a similar work (relative income):</b>		
	<b>F</b>	<b>%</b>
Less than most	4	28.5
More or less the same	8	57.1
More than most	2	14.2
Total	14	

<b>59-Fluctuations in sales (income) after formalization:</b>		
	<b>F</b>	<b>%</b>
Always the same sales	4	28.5
Changes depending on season	10	71.4
Total	14	

<b>60-% That reports having another source of income during the last month, in addition to the one generated at the store:</b>		
	<b>F</b>	<b>%</b>
No	9	64.2
Yes	5	35.7
Total	14	

<b>61-Other sources of income during the last month:</b>		
	<b>F</b>	<b>%</b>
Other Business	3	37.5
Remittances	1	12.5
Gifts	1	12.5
Pension	3	37.5
Human Develop. Bond	0	0
Returns on investments	0	0
Others	0	0
Total	8	