

## Executive Summary

### Street Vendors in Metropolitan Lima

Findings in official statistics show that the majority of workers in developing countries earn their living in the informal economy. The Informal Economy Monitoring Study (IEMS) is a qualitative and quantitative study designed to evaluate the reality of these workers. Based on information collected over a three-year period, the IEMS provides credible, grounded evidence of the range of driving forces, both positive and negative, that affect working conditions in the informal economy over time. The study places people working in the informal economy and their organizations at the centre of the analysis.

#### *The Research in Metropolitan Lima*

In Lima, the IEMS research was conducted with street vendors, that although not necessarily members of the Federación Departamental de Vendedores Ambulantes de Lima y Callao (FEDEVAL, by its Spanish acronym), they do participate in their activities and coordinate with it. The two variables used to select the sample of 150 informal workers were 1) sex and 2) workplace location. The second variable was further divided into vending in the downtown area, where the largest and most important commercial clusters in the city are located, and vendors in the periphery. Data was gathered from all participants by means of a survey questionnaire for the quantitative component of the research, while 75 people expressed their views in 15 focus groups for the qualitative component. To explore more

deeply some of the issues raised by the research, four interviews were conducted with key informants from FEDEVAL/Confederación Unitaria de Trabajadores del Perú (CUT, by its Spanish acronym) and from the NGO Alternativa as well as with experts in municipal issues and social participation.

The sample population, made up of 69.3 per cent of women and 30.7 per cent of men, is consistent with the sector profile as reported in the National Household Survey (ENAHU, by its Spanish acronym). Results of the study show that most of the households surveyed consist, on average, of 3.7 people. The average age per household is 50, an indicator that more than one person in the household is of working age. There was more than one worker



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in 70 per cent of the households where women were interviewed and in 60 per cent of households where men were interviewed. The great majority of those who participated in the study are self-employed and more than half of them are involved in the sale of produce and prepared meals.

Vendors work over 40 hours per week on average, which is the international standard for decent work. However, vendors in the downtown area tend to work more hours than vendors in the periphery, and women vendors tend to work more hours than men vendors. In general, vendors work nearly all 12 months of the year, and in most cases they do not have the support of other people, paid or unpaid.

Within the population under study, the education level for women was concentrated mainly in the basic level (completion of primary school or less), while the education level for men was at the upper middle level (secondary school or higher). Those levels of education are reflected in the line of business taken by the vendors. Men are involved in activities that require higher level skills, such as technical services or accounting, which in turn are generally better paid.

The net incomes of these workers, as recorded during the study research, are higher than those of the rest of the street vendors in Lima; however, it must be noted that the quoted figures **do not take into account a number of expenses** that reduce real income, such as the cost of seized goods and borrowing charges from informal lenders. Also, the study asked street vendors to report their income for the previous week, without indicating whether it was a period of high or low-volume sales. In the case of one group of vendors who sold food, prepared food, and agricultural produce, the study result was that their net income came out negative. Therefore, all reports on income must be analyzed with caution.

It is important to note that the research study coincided with a period of instability as the Municipality of Lima and its mayor were facing strong criticism for their actions in dealing with traffic problems and the closing of the long-established wholesale market in La Parada.

### **Findings of the Research in Metropolitan Lima**

As part of the research study, street vendors identified and ranked the factors that supported or hindered their livelihoods. According to the information obtained through survey questionnaires and focus groups, the municipalities, FEDEVAL (as a second level organization for street vendors) and the vendors associations were all identified as important by the workers in the sample.

Vendors identified both the Metropolitan and district municipalities as the most important institutions affecting their work, although their relations with them are marked by mutual distrust and confrontation. Despite some programs and measures from the municipal governments aimed



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at this group, the perception of street vending as a problem permeates planning processes and government practices related to vending. This leads to the implementation of restrictive measures towards vendors that affect their working conditions and livelihoods. In general, vendors perceive municipalities as abusive, lacking in transparency and unwilling to engage in dialogue with vendors. For those reasons, vendors' perception of the municipalities is negative.

First and second level vendors' organizations are seen as both positive and negative. FEDEVAL is well regarded as a membership-based organization (MBO), and is perceived as important, especially by vendors working in the downtown area. Male vendors appreciate FEDEVAL's support in maintaining dialogue with authorities, in obtaining permits, for capacity-building and fighting against evictions, and for achieving the inclusion of street vending, along with formal workers' organizations, into a national trade union centre – namely, the CUT. However, appreciation of FEDEVAL is lower among vendors in the periphery and among women. This suggests the limitations of this MBO in integrating these groups of vendors' and their needs. Although first level vendors' organizations are valued because of the raised awareness that being organized is a necessary and positive step in being heard by the authorities, these organizations also face important limitations related to their ability to represent street vendors and to negotiate with the authorities on their behalf.

### **City Policies and Practices**

According to street vendors, the driving forces that have the greatest impact on their work are related to city policies and practices, which they consider to be generally negative. For that reason, vendors described the district and metropolitan municipalities as the most important institutions. In the case of the Municipality of Lima, vendors recognized some practices of the metropolitan

government as favourable to their trade (for example, the consultations over changes to Ordinance No. 002 which regulates street vending and capacity-building programmes). However, the vendors also see the metropolitan government in a negative light because of restrictions within the legislative framework, failure to deliver licences and lack of control over the corruption of the municipal police (*serenos*)<sup>1</sup>. In the case of district governments, the relationship is marked by confrontation and accusations of abuse of authority. There is a strong perception that local governments do not want to enter into dialogue with vendors and that regulations for the sector are restrictive and unclear.

One of the forces that hinder vendors' work is the fact that the city's regulatory frameworks and planning policies have not included street vending or perceive street vending as a problem. This also results in repressive practices, including the **confiscation of goods and evictions**, and to a relationship of mutual distrust and confrontation, both at the district and city level.

The municipal governments' and the general public's negative perception of street vendors also represents an obstacle to the acknowledgement of the positive contributions of street vendors to the city, including tax contributions, the creation of jobs, the payment for city services, cleansing and security services in public spaces.

The vendors' collective responses to overcoming those forces have included pursuing dialogue, presenting proposals and negotiating for measures with the municipalities. However, as previously mentioned, this type of response is not that extended given the limited capacity of the organizations that should channel these responses and engage with the authorities.

### **Economic Dynamics and Value Chain**

Vendors who participated in the study identified reduced earnings and inflation as serious economic problems. Lower earnings are related to the perception of a smaller client base compared to the previous year and to increased competition from large wholesalers and supermarkets as well as from other street vendors. Vendors of food, prepared meals, and agricultural produce also highlighted the higher cost of raw materials resulting from inflated food prices as a major problem affecting their livelihoods. In their case, increased competition and their inability to negotiate lower prices from their suppliers, prevents them from raising their prices and forces them to find relief by borrowing from informal lenders at high interest rates.



Photo: J. A. Venegas Sosa

In analyzing the value chain, our research found that informal street vending is integrated with the formal sector of the economy with backward and forward linkages. Regarding forward linkages, it was found that the main customers of street vendors are housewives, workers in nearby businesses and other actors in the formal sector (warehouses or restaurants, for example). And with regards to backward linkages, 76 per cent of vendors working in the downtown area, and 55 per cent of those who work in the periphery, purchase their supplies from formal businesses. When wholesalers are included, those purchasing percentages increase to 79 per cent for vendors in the downtown area and 65 per cent for those in the periphery. In most cases, the relationship between vendors and suppliers is one of long standing and, in general, street vendors prefer to purchase from the same suppliers. Vendors in the downtown area make their purchases on the basis of price and product quality. For those working in the periphery, aside from the prices, the proximity of the supplier to their workplace is becoming important.

In addition to the regulatory framework, the research found that changes within the cities can have a negative effect through the processes of planning and urban design (such as relocations and the development of infrastructure). These not only affect working conditions for street vendors but also have an impact on the value chain.

To face the problems related to economic dynamics and the value chain, street vendors, to a large degree, have deployed individual responses aimed at mitigating negative effects, including developing relationships with customers, selling on account, and liquidating merchandise. Most of the responses dealt with facing the challenges and the inability to make changes.

<sup>1</sup> "Serenos" is the name used to denominate the personnel of the serenazgo, namely municipal workers providing security services within their jurisdictions. Part of their work is to guard public spaces to prevent street vendors from occupying these spaces.

## Policy Recommendations

- It is essential that the city establish a legal framework for street vending as an economic activity and for its use of public spaces. It is also necessary that the city promotes processes to formalize vendors that take into account the small incomes and the loss of income of the most vulnerable vendors who must be protected against abuses of authority. The same considerations must apply to the issuing of permits.
- However, it is necessary that this legal framework be part of a broader vision that recognizes the importance of street vending for the city and as part of its social and economic dynamics, because it creates jobs and work opportunities for a broader sector of the population and has the potential to contribute to the solution of central problems, like security and cleanliness.
- Municipalities, especially district municipalities, must show stronger leadership in economic development processes through greater openness to negotiation on, and communication of, ordinances and regulations. It would also be important to promote leadership programs for women, who, according to the study, are the most vulnerable group among vendors, especially those working in the periphery. Special support should also be given to food vendors, who are particularly vulnerable to loss of income.



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### Recommendations for FEDEVAL:

- The federation's agenda as a trade union must be adjusted to better reflect the demands of street vendors.
- It has in women street vendors, especially those working in the periphery, a target population that should be a priority, given their bigger vulnerability.
- Vendors' associations and MBOs need to be strengthened to do more than simply process authorizations or to deal with evictions.



**Inclusive Cities:** Launched in 2008, the Inclusive Cities project aims to strengthen membership-based organizations (MBOs) of the working poor in the areas of organizing, policy analysis and advocacy, in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes. Inclusive Cities is a collaboration between MBOs of the working poor, international alliances of MBOs and those supporting the work of MBOs.

To read the full city, sector and global reports, visit [inclusivecities.org/iems](http://inclusivecities.org/iems)