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INFORMAL ECONOMY: CASE STUDY OF STREET VENDORS IN BANGKOK

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Abstract. Street vending is one of the informal economic activities considered significant to Thai people in the economic and day-to-day social life. It is believed that the street vendors form a group of poor and uneducated people. With the increased number of street vendors occupying space on public sidewalks, especially in central business districts, it becomes unclear whether street vending solves unemployment for access labourers. This research attempts to study and analyze types of street vendors in Bangkok under the informal economy framework. The debate on the heterogeneous informal economy has categorized into four schools; dualism, structuralism, legalism and voluntarism. The examination also embodies the market concept with Porters Five Forces of Competitive Position model analysis and the interviews with the street vendors in three case study areas: Inner zone (Pathumwan district - the sidewalk on the opposite side of Siam Paragon mall), Middle zone (Ramkhamhaeng district - the sidewalk on the opposite side of Ramkhamhaeng University) and Outer zone (Minburi district - the sidewalk on Sriburanukit Road). The result indicates that most street vendors in Siam square voluntarily choose to live in vending on a sidewalk and tend to take it as a long-term occupation even though they can be informal wage employment. Moreover, average income and a positive attitude towards self-employment are the important factors that drive them to operate street vending businesses. Meanwhile, street vending is often a family enterprise in the Ramkhamhaeng area, and most vendors do not wish to transform their businesses into formal sectors. The survey conducted in Sriburankit Road reveals that almost all street vendors migrated from other provinces and were previously paid as unskilled workers in formal sectors. They moved to informal trades because of the uncertainty of employment in the mainstream sectors and the inconsistent income with knowledge support of friends and relatives from the same hometown. In particular, the result reveals a common pattern that street vending is the first occupation of some group of vendors and will continue to engage in this activity. Thus, the government needs to design an optimal policy that integrates informal workers into the formal economy and monitors the enforcement of regulations on the modern informal economy.

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INTRODUCTION

Over the past decades, the informal economy sectors have grown considerably in many of developing countries especially during the periods of economic crisis and transition. In Thailand, estimates show that more than half of labor workforces are not registered in national social security system (Hata, 2012). There are various types of informal economy activities in Thailand which are unregulated and not covered by formal arrangements; one of them is street vending. Street vending has been considered as significant to Thai people both economically and culturally. A turning point of street vending started in the era of industrial growth and capitalism, caused the labor movement from suburbs to the cities. Later on, formal sectors could not absorb the surplus labors to become employed, thus they turned to be street vendors using public sidewalks for their selling spaces as the survival strategy and a solution to unemployment. It had been believed these people are the poor, the low income workers, uneducated, and immigrants to the cities on the labor market. In addition, the result of the 1997 financial crisis led to

the expansion of the informal economy, many laid-off workers took up and entered informal businesses.

Overtime, there are increasing numbers of street vendors while the permitted areas of sidewalks are limited. Nowadays, street vending is not only considered as a means to fight for the poverty or self-sufficiency, but it is also regarded as a full time occupation. Further, street vending is the activity which is closely connected with the urban public space such as sidewalks, roads, and junctions so these lead to conflicts among pedestrians, local authorities, and vendors as accessibility to important public location benefits street vendors in a high volume of products selling.

However, not every street vendor can access hotspot sites which usually are in high land value areas, city center spaces, and downtown junctions. Rental fee and insight connections are important key factors to get the best location for vending. For these reasons, it becomes unclear whether the decision to be a full time petty trader still limits to the lack of opportunity in the formal sector or not. Or the mindset towards street vending as an option of employment has been changed over period of time.

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LITERATURE REVIEW

The overview of existing study on street vending is mostly referred to the poor and the uneducated group. It is one of the informal economy activities which are considered as a transit hub for access labors from a formal wage employment. Street vendors were described broadly in characteristics of labor intensive, unskilled workforce, and lack of social and economic protections. The quality of life is low with low levels of income. However, they were emphasized as the crucial sources of employment for the urban poor workers and the occupation for earning a living.

Thammawut (1999) discussed the way of life of hawkers and vendors in Navanakhon Industrial Estate that most hawkers and vendors were from rural agricultural area with low education and poor economic status. They were successful group of vendors who were looking to expand their business and would like to look for other careers to switch into which offer them with better incomes. These vendors are also considered as a source of reducing cost of living for those who work in a formal and a non-formal sector by providing products at affordable prices. Nirathon (2004) study focused on structural and enterprise levels. The study finds diversity in economic performance and levels of success among street food vendors. The study indicates the levels of success as accounted by vendors and is attributed to different indicators such as skills, confidence, and capital.

Since the number of street vendors has been rising on a public sidewalk over the past years, it becomes an important issue because of the encroachment of public space. Although the officials have enforced the policy to regulate street vending, there are some groups of street vendors who continue violating the law.

Further, Waiyanob (2002) researched into the influence of the political leaders on the Bangkok Metropolitan Administrations policies for street vendors and hawkers. The study finds that the policy has been uncertain depending on the BMA governor. There were times that the BMA promoted self-employment as a means to raise the living conditions and eradicate the poverty. Hence, the BMA made an exception and allowed vendors to some designated permitted areas. While the 6th BMA plan in 2000-2004 focused on law enforcement arresting both vendors and buyers, but with some lenience regarding implementation (Yasmeen & Nirthon, 2014). In addition, vendors in some districts have been threatened to pay tea money to the corrupt officials to accommodate their businesses.

Theoretical Framework

Definition: "Street vendors" shall mean one who sells food, bev-

erages, clothes, shoes, cellphone accessories, electronic devices, and performs other services to customers with the cart, table and other equipment used at the location of a fixed street vending post. The paper combines quantitative and qualitative research methods to analyze types of street vendors in Bangkok under the informal economy framework of four dominant schools which have been debated over the last decades; the Dualist School, the Structuralist School, the Legalist School and the Voluntarist School (Chen, 2012; Charmes, 2012; Webb, Ireland, & Ketchen Jr, 2014).

The Dualist School (ILO) sees that the informal sector is a transitory sector and comprised of marginal activities which are not linked to the formal sector. The existence of the sector is because of the imbalance where the labor supplies and skills do not match to new economic opportunities. ILO believed that these two sectors were independent of each other and the informal sector would disappear substantially as the formal sector expanded (ILO, 2012).

The Structuralist School (Alejandro Portes) argues that the informal economy is formed of subordinated economic units. The enterprises in the formal sector are related to the informal sectors. The informal sector is also a useful alternative to reduce labor costs and increase marginal profits. In other words, the informal sector is considered as a feature of capitalist development.

The Legalist School (Hernando de Soto) states that the informal sector comprises of micro-entrepreneurs who choose to operate work outside the formal economy to avoid legal procedures, cost, and formal registration and who use property rights to convert their assets legally. Complicated regulations and time-consuming procedures drive them to stay underground. The Voluntarist School (William Maloney) focuses on informal entrepreneurs who seek to avoid regulations and taxation purposely. However, the school does not blame the complicated and cumbersome government registration procedures.

The study begins with Porters five forces industrial analysis focusing on group data of five categories of activities carried out by street vendors as follows:

- 1) Food including raw materials, cooked food, and fresh fruits
- 2) Beverages
- 3) Clothes, Shoes and Jewelry (including earrings, bags, watches)
- 4) Cellphone accessories and Electronic devices
- 5) Others (dressmaking, tailoring, lottery vendor, shoe repair, cosmetics etc.)

FINDINGS

This paper applies Porters Five Forces of Competitive Position Model as a strategic tool to evaluate a business position of five

category activities.

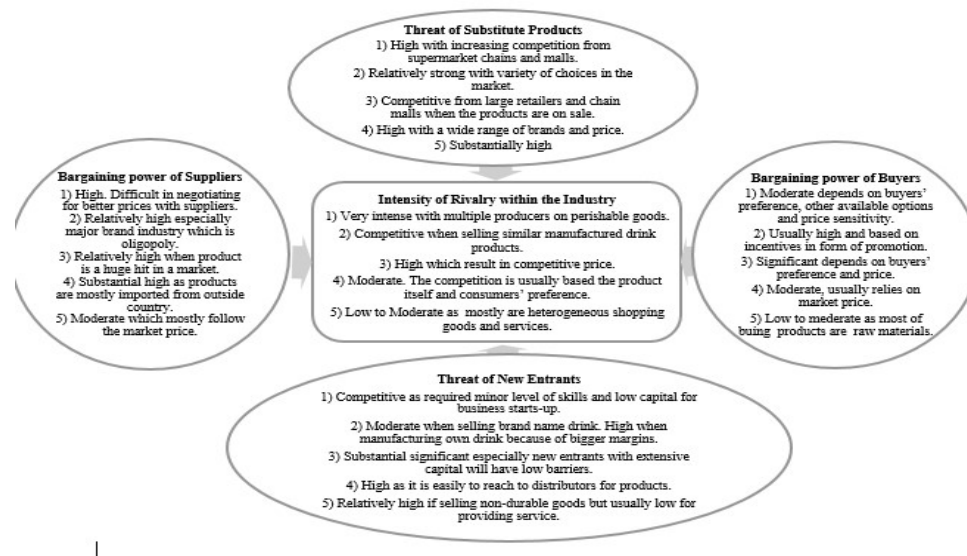
- 1) Food including raw materials, cooked food, and fresh fruits
- 2) Beverages
- 3) Clothes, Shoes and Jewelry (including earrings, bags, watches)
- 4) Cellphone accessories and Electronic devices
- 5) Others (dressmaking, tailoring, lottery vendor, shoe repair, etc.)

A. Industrial Analysis

Because of the high number of street vendors in Bangkok, vendors significantly are in a competition to make a big margin

and profit. Each member has the ability and knows their market well in which they sell. There are times that vendors find themselves in the intense competition for market sharing and fight due to several factors such as vending space on the street, price war, and price ceiling. Consumers also expect low prices when they buy products on the streets. With all of these factors, competition among street vendors is considered an important issue. Furthermore, competition for space vending is strong and intense especially in location of central business districts and community areas. Vendors experience and expertise are also the significant keys for level of success.

FIGURE 1
Porter’s Five Forces Analysis of Activities



B. Area analysis

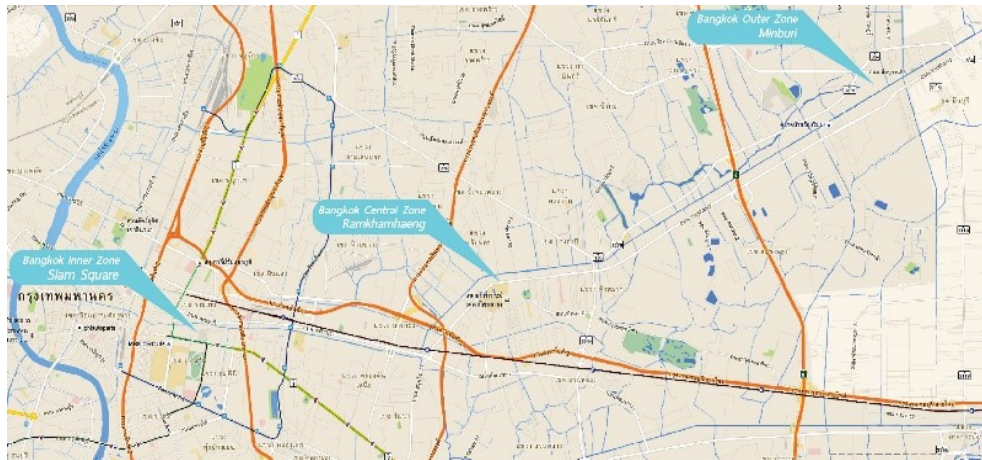
The research includes street vendors on public sidewalk from 3 different locations of Bangkok: An inner city area of Pathumwan District, an urban periphery or a transitional area

of Ramkhamhaeng district, and an outer district resulted from city expansion of Minburi district. These 3 areas mainly contain population density of both buyers and street vendors.

TABLE 1
The Number of Street Vendors Categorized by Industrial Products in Bangkok

Industrial / Area	Number of Vendors		
	Pathumwan	Ramkamhaeng	Minburi
1) Food including raw materials, cooked food, and fresh fruits	22	117	45
2) Beverages	4	24	4
3) Clothes, Shoes and Jewelry (including earrings, bags, watches)	135	148	32
4) Cellphone accessories and Electronic devices	8	10	7
5) Others	12	25	14
Total	181	324	102

FIGURE 2
Map of 3 Areas of Analysis



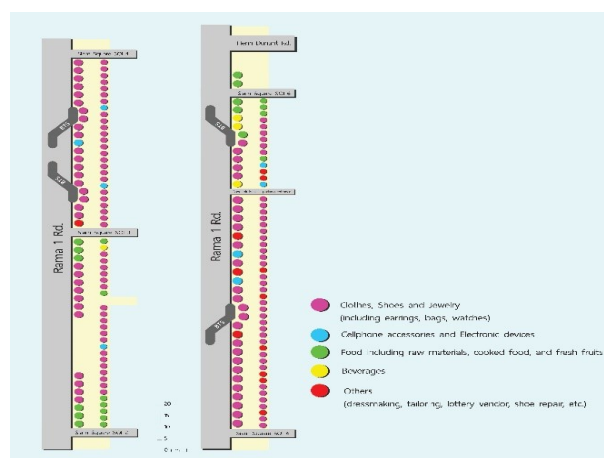
Pathumwan District Analysis
Case Study of Street Vendors on the Opposite Side to Siam Paragon Mall

Siam Paragon mall is one of the fancy shopping malls which are located in Pathumwan District. There are also other shopping malls in the same area including corporate offices, boutique shops, and sky train stations. Because of its location that is right in the heart of Bangkok, these places attract many buyers including tourists to travel into the area for shopping and doing other activities. With a large amount of money that most people tend to spend results in more vendors seeking opportunities to do both formal and informal businesses in the area including street vending which takes place on public sidewalks on the opposite side of Siam Paragon mall on Rama 1 road. From the field survey, the figure shows that the majority of street vendors in this area mostly sell clothes, shoes and jewelry. Although the vendors are operating the same category of business, the source

of products is different. Moreover, the vendors do not wish to reveal their supply sources and they try to avoid selling particular things in a particular location as consumers could easily compare the price. One of the key elements that result in a high number of clothing and fashion accessories vendors in this area is the attitude of street buyers. Although some buyers cannot afford brand items from proper shops which are considered as formal sectors, so they will buy goods from street vendors in this location as the implication of buyers taste of high street fashion instead. Among the 5 various categories, beverage has the lowest number of street vendors operating because it is not the main products that could make profits by vending on the street effectively in the area.

The graph below shows the proportion of street vendors who are operating their businesses on the opposite side of Siam Paragon Mall in 5 main categories.

FIGURE 3
Map of 3 Areas of Analysis



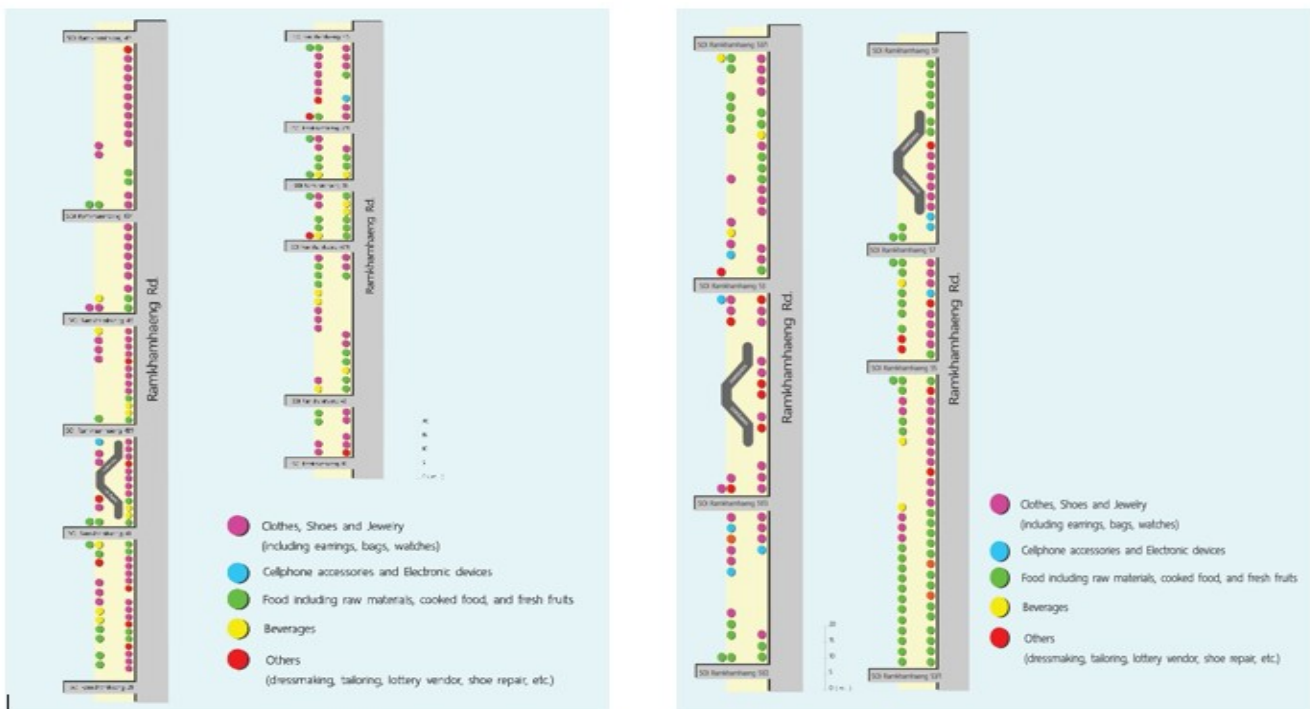
Most of the vendors in this area are working age adults. Of the 12 vendors in the interview sample, the majority is nearly between 30 and 40 years of age. More than half in the sample have finished high school or vocational school, and some of them have received a degree from university. They are significant in number of new generations who sell high-end clothing and fashion accessories to customers who are mainly teenagers, white-collar workers, middle class workers, and tourists. They have entered the trade with well-planned business strategies based on their education background. They are new generation of vendors who apply their skills and abilities to operate business and earn income. For example, they are able to respond to market trends for their products, predict consumer behaviors, and maintain relationship with regular customers. Participants in the study are not technically the shop owners yet related to them as relatives or family members. Meanwhile some vending units have hired helpers to operate business. In terms of financial resources, the capital investment varies regarding type of activities and selling products. The goods such as clothes, shoes, and bags require more investment than food or beverages. The interview finds that most vendors have initial investment from savings or from their families support with no interest charges. Since it is very unusual for them to access the loans from formal financial institution, some of them take out loans

from friends or relatives but they are confident that they could pay it off quickly. Although, these street vendors can work in a formal business or in a high profile firm, they voluntarily choose to work as street vendors on a public sidewalk for a long-term occupation and they do not wish to return to work in the formal employment. They will remain to be a street vendor or a self-employed because of flexibility, independence, and earnings.

Ramkamhaeng District Analysis Case Study of Street Vendors on the Opposite Side of Ramkamhaeng University

With its location near the countrys largest public university, Ramkamhaeng area results in lots of people congregating in the area and makes Ramkhamhaeng neighborhood carried out in a variety of activities of public spaces. Most street vendors primarily sell food including cooked food, fresh fruits and vegetables in this area which can be found very congested at alley entrance or a bus stop. The other important factors are the rapid urbanization and the long working hours of paid workers in a formal economy which is affecting commuting time so they need to rely on street food vendors to provide their meals. The graphs below show the number of street vendors who are operating their businesses on the opposite side of Ramkamhaeng University in 5 different categories.

FIGURE 4
Map of 3 Areas of Analysis



Of 15 vendors surveyed, most of them had moved from other provinces for employment and education. It was 45 years ago that one of the vendors moved into this area for education and has taken to be a street vendor for living since then. Some began the street vending because of a loss of job during economic crisis (Maneepong & Walsh, 2013). Although, more than half of surveyed sample are full time street vendors, there are some of them operating the business after their working hours for extra income. Furthermore, the paper finds that new generation of vendors in this area mostly are students from Ramkhamhaeng University. The education of street vendors is varied: from a primary education to a Masters degree. Most of the vendors in this area are breadwinners in family and have no other alternatives for income. They also give knowledge and introduce tips and techniques in street vending business to new comers who mainly are their relatives. The experienced vendors who are in the trade for a long time are expecting to have the business transition to their children or relatives. About one third of street vendors can become legal operators in formal economy. Conversely, they do not wish to obtain licenses for providing their trade. They claimed that

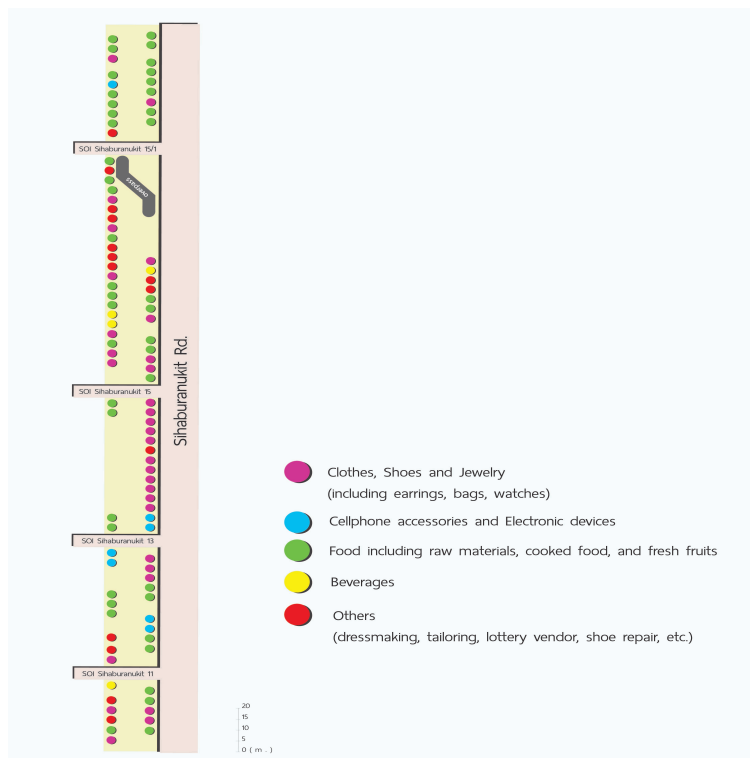
the process is inconvenient and complicated and they could not comprehend the government procedures. Some said that they had to take days off from vending to proceed on official documents for license or business registration certificate which cannot be done in a day or two. Further, transformation to the formal economy imposes on them the costs of becoming formal.

Minburi District Analysis:

Case Study of Street Vendors on Sriburanukit Road

Sriburanukit road is considered as a downtown hub station and a fast-growing residential area of Bangkok outskirts resulted from city expansion. Nowadays, it has become more mixed residential and commercial area by apartment buildings with stores on a ground floor, housing, and small shopping stores. There are multiple activities carried out by street vendors in this area. As the representative of residential area like Ramkhamhaeng and the tradition among people of eating out because of convenience and small size of family, food vendors is the majority population in this area. The graph below compares and contrasts data on the number of street vendors who operate their trades on sidewalk of Sriburanukit Road into 5 various categories.

FIGURE 5
Street Vendors Operating Business on Sidewalk of Sriburanukit Road



The observation finds mixed characteristics of street vendors. Among 10 street vendors in the survey, level of education re-

flects the products that street vendors sell. The food producer, for example, has a primary education at average while sellers of

durable products such as clothes, shoes and electronic devices have a higher education.

In addition, the survey finds that there are some vendors who fundamentally make income by vending on a public space as the survivalists because of no education and under serious economic pressure. The majority of vendors have migrated from other provinces with small size of family and are between 40 to 50 years old. At first, most of them intended to move in a city as labors in a formal employment.

However, it turned out that the formal sector could not absorb the labors effectively so vending in a public space is the final strategy to earn living. Meanwhile some vendors have entered the trade because of uncertainty in the employment system and unstable income. They get supporting of friends and relatives mostly from the same hometown as the important source of basic knowledge and information. Most of them have chosen to

be food producer because the activity requires low labor skills and low initial investment. More than half of street vendors in a survey live nearby the vending post to reduce transportation and operational costs as well as they can maintain their networks with friends and families. Most of them are full time street vendors as main source of income after comparing minimum wage in a formal sector. The possibility in shifting to formal wage jobs is zero opportunity. Furthermore, the survey finds that their children are also helping them by setting up a new vending business during school breaks at the same vending unit for extra income. In terms of future business plan, most of half vendors in a sample will not quit their job although their children can support their living expenses. On a further note, below is the summary table of street vendors characteristics from the survey in 3 study areas.

TABLE 2
Summary of Street Vendors Characteristics

Street Vendors Characteristics	Pathumwan	Ramkambaeng	Minburi
Majority of vendors activity	Clothes, Shoes and Jewelry (including earrings, bags, watches)	Food including raw materials, cooked food, and fresh fruits	Food including raw materials, cooked food, and fresh fruits
Majority of Population	30 to 40 years of age	20-50 years of age	40 to 50 years of age
Entrants to occupation	Voluntary	Voluntary and Survival strategy	Survival strategy
Initial investment/Means	High/by savings or borrowing from friends and families	Moderate/by savings or take on an informal loan sourced	Low to Moderate/by savings or take on an informal loan sourced
Expectation to change occupation	Possible depends on the level of profits	Unlikely	Unlikely

CONCLUSION

The study findings indicate that most of street vendors do not enter the petty trade because of the lack of opportunity in the formal economy. However, the vendors characteristics are varied depending on the vending site.

There are significant differences between the survivalist and the full-time vendors. Vendors who can afford high rental cost and access on prime public pitches are mostly the educated middle class people. They are also willing to take street vending as a long-term occupation even though they can be in formal wage employment.

Furthermore, positive attitude towards self-employment and flexible working hours are also the important factors that drive them to operate in street vending business. Meanwhile, some vendors can grow further and exceed threshold of the infor-

mality, but they choose to remain informal. In particular, the result reveals a common pattern that street vending is the first occupation of some group of vendors and they will continue to engage in this activity.

With the diversity of various types of vendors in the informal economy, the key policy should emphasize on the urban planning and economic development for street workers and other parties such as pedestrians and private business on public space to prevent collision.

The policy should also take into account on less vulnerable vendors in the market. Hence, it is important for the government to design optimal policy which not only integrates informal workers into the formal economy but also monitors the enforcement of regulations on the modern informal economy.

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— This article does not have any appendix. —