

The urban informal economy: Street vendors in Cali, Colombia



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ABSTRACT

The informal economy is an important part of urban economies in the global South. Almost half of Colombia's working population relies on the informal economy to obtain income. This study examined street vendors in downtown Cali, Colombia. A recent survey of 527 street vendors provides the basis for a detailed analysis of who works as street vendors, how much they earn, aspirations and perceptions of their work, and how closely they resemble the rest of the working population. The presented data also show the links between this sector and the formal economy. Connections between people working in this sector and the State were also examined, and welfare payment flows from the State to the sector were revealed. This study shows how the informal sector is closely tied to the formal economy and the State's welfare functions.

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1. Introduction

In this study, we explore the internal dynamics and external links of an important part of the urban informal economy through a comprehensive survey of street vendors in Cali, Colombia.

This study aims to answer three specific questions:

1. How distinct are street vendors from the general working population?
2. What are the internal dynamics of street vending?
3. How does street vending intersect with the State?

The answers to these questions allow us to advance our understanding of the informal economy and street vending.

First, we examine street vendors' characteristics in detail. Many studies employ the term "street vendor" as an undifferentiated category, distinct from the general population, and few studies that survey street vendors compare them with the city's population. We will determine the characteristics of street vendors and compare them with the wider city population to answer two basic questions: (1) Who are street vendors? and (2) How distinct are they from the general population? The interesting results yield many new insights that have the potential to overturn standard assumptions. Second, we will uncover the informal sector's political economy through an in-depth look at the internal dynamics of economic transactions and money flows within this sector. Third, this study highlights connections among this sector, the formal

economy, and the State. The informal sector is embedded in a wider set of arrangements (Chen, 2005). We explore the liminal nature of the sector and delineate its wider connections and linkages.

The study's overall aim is to provide a more nuanced and detailed account of an important part of the informal urban sector based on data gained from a comprehensive survey.

2. Background

The informal economy can be defined in a number of ways. It is usually employed with reference to employment outside formal regulatory arrangements, either in law or in practice (ILO, 2014a). The colloquial term "off the books" is useful as it embodies the non-regulated nature of the sector, outside of formal regulation and beyond the taxation regime. The informal economy can be subdivided in a number of ways. For example, we can identify different types of workers: one fourfold division identifies subcontracted employees, self-employed, working for one's family, and small entrepreneurs (Vanek, Chen, Heintz, & Hussmanns, 2012, 2014). It can also be identified by sector, an approach we will employ here. Three distinct labor subsectors can be identified: informal employment in the informal sector, informal employment in the formal sector, and informal employment in domestic arrangements such as maids and gardeners employed "off the books." This study primarily focuses on informal employment in the informal sector, although the divisions are fluid, as we will see in the subsequent sections.

Four main schools of thought have been applied to the informal economy phenomenon. The *legalist* school conceives informality as a response by informal workers to an excess of procedures, regulations, and costs (money, effort, and time) imposed by the State on micro-

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entrepreneurs (Becker, 2004). The *voluntarist* school focuses on the deliberate decision made by informal workers to avoid regulations and taxations. This decision is not due to the excess of procedures demanded by the State but reflects the perception that the benefits of informality outweighing those of formality (Chen, 2012). A third school, the *structuralist* school, maintains that the informal economy surges as a result of conditions in the formal economy such that to reduce costs and sustain economic growth, labor conditions must be modified; therefore, the informal sector becomes a complementary and subordinated sector of the formal economic structure (Portes & Haller, 2004). Finally, the *dualist* school explains the existence of informality as a parallel and marginal sector that provides income for the poor (Chen, 2012).

Regardless of the conceptual framework used to study the informal economy, the fact remains that it plays a hugely significant role in the urban global South, offering significant job- and income-generation potential (Bromley, 1978; Chen, 2005, 2012; Godfrey, 2011). In Latin America, the share of nonagricultural employment in informal sectors was 57.7% over the 2005–2010 period, and its contribution to GDP ranged from 21.6% in Brazil and 30.9% in Mexico to 36.9% in Guatemala (Charmes, 2012).

Across Latin America, despite marginal reductions in the informal employment rate, even by 2013, 48% of workers in the region earned their income from this sector (ILO, 2014a, 2014b). The rate of informal employment varies across the region; in Peru, the rate of informal employment in urban areas was 66.5% in 2013, 71.3% for women and 62.6% for men (INE, 2015). In Colombia, it is estimated that almost half of all employment takes place within the informal economy (DANE, 2015). Informality is quite heterogeneous: in Colombia, it covers a wider range, from anyone who is a family employee, a worker in a company with fewer than five employees, the self-employed (except professionals) such as trash pickers, domestic employees, and farmhands (ILO-FORLAC, 2014).

Street vending is a significant element of the urban informal economy (Bhowmik, 2012; Bromley, 2000; Cross, 2000). Despite many government efforts to eradicate street vending, it remains a thriving phenomenon in many cities because demand exists from a large low-income population who benefit from buying cheap goods. Street vendors also, in certain countries at specific political junctures, are able to defend themselves from government attempts to remove them from urban public spaces (Bhowmik, 2012; Cross, 1998, 2000). Cali and Colombia are at such a juncture. Street vending is increasingly recognized and promoted by international agencies and some governments as a way to reduce poverty among unskilled individuals unable to obtain formal employment (Chen, 2005).

Numerous studies have examined street vending in Colombian cities. Bogota, as the country's largest city, is the most frequently studied city (Borja, Barreto, & Sánchez, 2008; Carbonell, 2011; Donovan, 2008; Hunt, 2009; Rocha, Sánchez, & García, 2009). Nonetheless, studies have also examined other cities. Jaller (2009) analyzed food street vending in Medellín, and Castaño, García, Ospina, and Granada (2008) provided a socioeconomic description of Pereira's street vendors.

Cali remains under-researched. Bromley's (1978) classic study of street vending in the city highlighted the sector's internal organization, the distinction between self-employed vendors and those working for others, the sector's official containment rather than eradication, and the divergence between the upward mobility attained by a minority compared with the impoverishment of the majority. This study updates Bromley's work.

3. Methodology

The data for this study come from a direct survey of street vendors in downtown Cali, collected during December 1–12, 2014, the busiest

season for street vendors in Cali and a time when most street vendors are in operation.

Cali is a city of around 2.4 million people, one of the major cities in Colombia's southwest region, which is composed of the following departments: Valle del Cauca (Cali is the capital city), Cauca, Nariño, and Putumayo. According to Escobar, Moreno, and Collazos (2013), the southwest region contributed around a seventh of the national GDP in 2010, and the department of Valle del Cauca contributed most of that amount, around three-quarters. Sugarcane production was originally one of the main drivers of the economy but now a range of manufacturing activities are undertaken. Downtown serves as the city's main center of business activity (Vásquez, 2001). Most downtown residents have moved to other neighborhoods in the city. The downtown is a daytime economy and turns into a nearly empty space at night, when activities such as prostitution and drug dealing prevail.

Observational data were also collected on all street vendors located in a 13-block area downtown, the most populated area of the city in terms of street vendors and formal commerce (see Fig. 1). Observational data were collected using a structured guide that collected information on (1) types of stalls (fixed or mobile), (2) type of products offered, (3) number of people working at a stall, and (4) an indicator of the physical condition of the stall (physical condition was defined as good, fair, and poor, and its classification was based on the condition of each stall as perceived by the interviewer). Of the total 792 street stalls counted, 58% were permanent and 45% of the stalls were classified as being in good condition. There were 1085 street vendors working: 66.8% of the stalls were occupied by one street vendor, 29.4% by two street vendors, and 3.8% by three street vendors.

In the second stage, detailed structured surveys were completed for 527 street vendors, who represent around 66% of the street vendors counted during the observational stage. The total number of street vendors in the city is unknown. Local government does not have an official count. According to the local government's planning office, street vendors concentrate in nine areas around the city, and downtown is the largest. Information provided in this analysis can only serve the purpose of characterizing the economic dynamics and street vendors' profiles of those operating downtown.

The survey was designed and financed by the Observatory of Public Policy (POLIS) and the Masters Program in Government (both from Universidad Icesi). Pollsters were hired and trained to use the questionnaires. Three pollster's supervisors were present in the field during data collection.

Informants were randomly selected in all blocks and the survey was conducted while they were at their stall. We approached respondents by explaining the study's objective, assuring confidentiality, and emphasizing that the data will be used for academic purposes. Also, we clarified that they could stop the survey at any time and participation was voluntary. Only a few street vendors did not participate. Respondents answered 68 questions concerning socioeconomic status, family composition, income (including sales and profits), education, life satisfaction, and access to government welfare. Because no comparable survey of street vendors has been conducted in other areas of the city, we acknowledge that there may be differences when compared with vendors in other areas of the city, for example, in terms of gender, income, and type of merchandise sold.

We did not ask questions about patronage and corruption of police and officials because we felt, at the initial stage, it would provoke resistance from the respondents. Perhaps in another round of questions, now that trust has been established, we may venture into this more politically sensitive area. The survey results are used to identify the socioeconomic characteristics of street vendors and their links to the formal economy. Study details are presented on the POLIS web page (www.icesi.edu.co/polis).

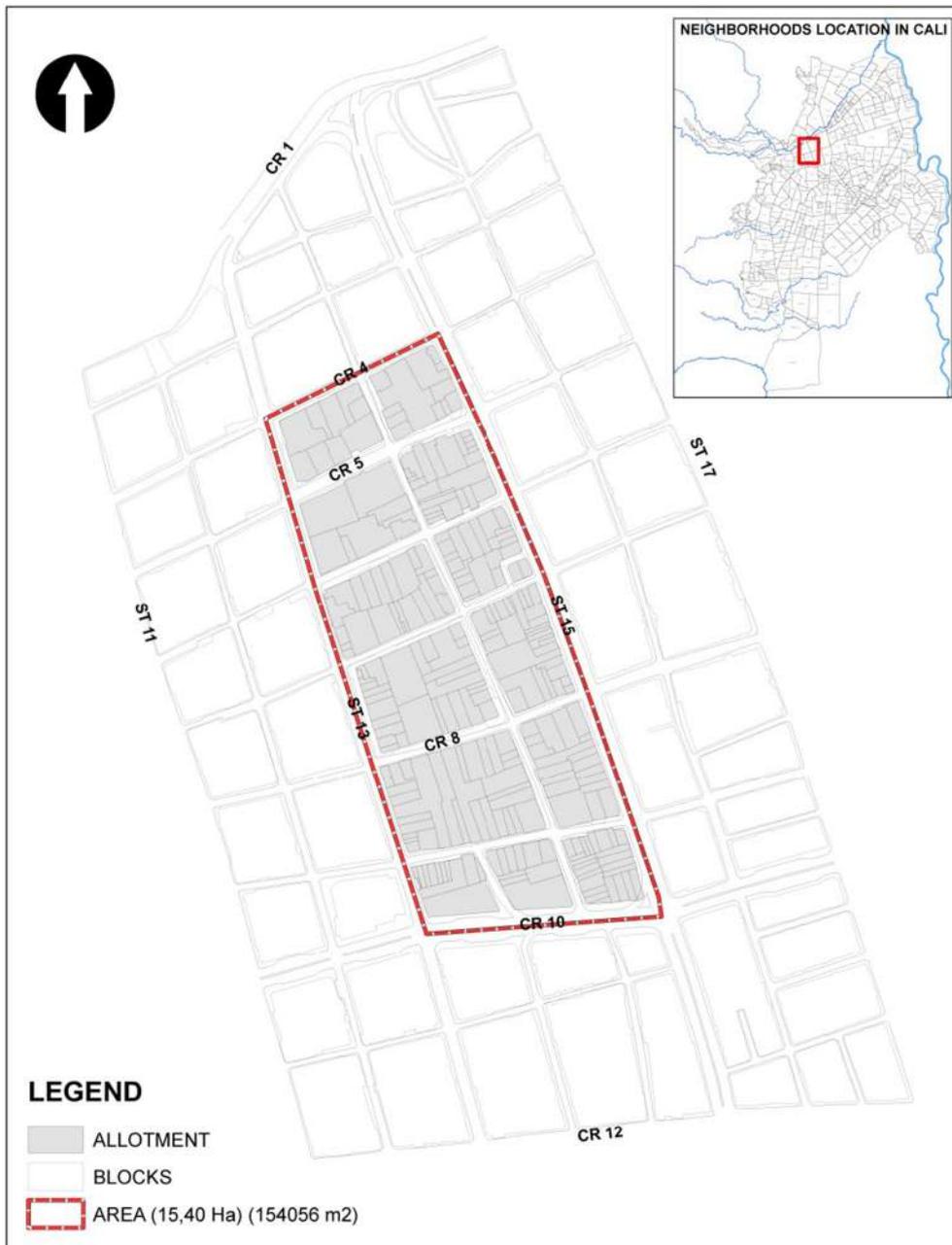


Fig. 1. Area occupied by street vendors in downtown Cali.

4. Results: who are Cali's street vendors?

4.1. Street vendors and the working population of Cali

Table 1 presents general information on street vendors in Cali. The data are compared with the city's working population over 12 years of age. The results reveal some differences and similarities between vendors and the general population. Some very close similarities exist in terms of age, family size, marital status, and number of days worked. Some differences were found in gender, confirming previous studies on the importance of women in this sector. Our survey reveals a slight gender bias but not an exaggerated one. This is in contrast to studies on street vendors in Africa, which revealed a disproportionate number of women (Alila & Mitullah, 1999). The difference is perhaps explained by the fact that Colombia is a middle-income rather than a low-income country and street vending provides a relatively good income. Hence, street vending in Colombia involves men as well as women.

More significant differences were found in education, proportion of indigenous and disabled people, and hours worked. Compared with the rest of Cali's working population, street vendors were less well educated, worked longer hours, and were more likely than the general population to be disabled or from an indigenous background. These data confirm findings from other studies that the informal sector and street vending in particular offer employment opportunities to those more marginalized by the formal economy (Chant & Pedwell, 2008; Linares, 2010).

The most significant difference between Cali's working population and downtown street vendors surveyed is income.¹ The minimum wage was \$304 per month in 2014 (approximately US\$1.5 per hour working 8 h a day, 6 days per week over 4 weeks). The average income for a working citizen (formal and informal) in Cali during the same year

¹ For the next and following values, we are using current 2014 pesos and an exchange rate of 2000 pesos per dollar.

Table 1
Socioeconomic profile of street vendors compare to an average Cali's citizen.

| Characteristic | Street vendors 2014 | Average ^a Cali's citizen ^b |
|--|---------------------|--|
| Women (%) | 46 | 41 |
| Average age (years) | 41 | 40 |
| High school or higher educational attainment (%) | 28 | 67 |
| Civil status: marriage and cohabitation % | 52 | 55 |
| Race: Black (%) | 23 | 21 |
| Race: Indigenous (%) | 12 | 7 |
| Average kids | 3 | 2 |
| Average Income (\$ USD) | 464 | 367 |
| Daily hours of work (hours) | 10.8 | 8.5 |
| Days worked by week (days) | 6.5 | 6 |
| Street vendors with disability (%) | 6.4 | 2.6 |
| Union membership (%) | 3.6 | – |
| More than 5 years as street vendor (%) | 69 | – |
| More than 5 years located at downtown (%) | 70 | – |

^a 12 or more years old and working.

^b Survey of Employment and Quality of Life 2012–2013.

was \$367 per month (approximately US\$1.8 per hour), \$459 per month for a formal employee, and \$306 per month for an informal worker. In contrast, downtown street vendors reported an average of \$464 per month, which is approximately US\$1.7 per hour work since street vendors work an average of 10.8 h per day, 6.5 days per week. This is such a striking finding in terms of absolute value that some discussion is in order. First, the surveyed street vendors worked in the best commercial area of the city, so this may overestimate the average street vendor's earnings. Second, the survey was held during the Christmas season, which could have induced an upward bias to the reported earnings.

Official statistics may under-count wages, but there is just as likely to be an understatement in our survey. The figure is an average, which masks a wide variation, but the same can be said regarding the income of the general population as seen in the difference between a formal and informal working citizen. It is clear then that although the sector provides an income for more women, minorities, and the disabled than the formal sector, it also provides the possibility of relatively high reward compared with other informal sectors. Vendors work more days and longer hours in contrast to a formal average worker, who by law is limited to working 8 h per day for a maximum of 6 days per week (but there are some exceptions to this rule); in addition, street vendors work in the open air in difficult conditions. They do not enjoy labor rights, such as maternity leave, and other economic benefits of the formal sector, such as accident insurance, transport subsidies (if it is a worker receiving a minimum wage), and service bonuses.² Neither are they paid for overtime work. In the formal market, workers are compensated at a rate of 25% above the hourly wage rate for every extra daytime hour worked and 35% for every extra night hour worked. Furthermore, in contrast to formal workers who contribute to social security at a rate of 4% of their salary to retirement plans (with the employer contributing 12% of the employee's salary), and 4% to healthcare (the employer contributes 8.5% of the employee's salary), street vendors bear the entire financial load for their retirement and healthcare.

Furthermore, it may be very difficult for them to enjoy vacations or public holidays because if they do not work, they do not receive income. Formal workers, in contrast, can have 15 days of paid holiday vacation per year and receive income over public holidays.

Although the average hourly income of a citizen earning the minimum wage is lower than that earned by street vendors, they enjoy many more benefits than street vendors. However, income is clearly a

major incentive for people to consider street vending as a working option considering their socioeconomic background, which makes it extremely difficult to find a job in the formal market and earn a minimum wage.

Therefore, our data dispels a common view that the informal sector is a resort for the marginal with limited rewards. This runs counter to other studies such as one examining street vendors in Kenya (Alila & Mitullah, 1999) or the study by the International Labour Conference (ILO, 2014b). However, our findings are not entirely new; for example, Yasmeeen and Nirathron (2014) reported that in Bangkok, the government has focused on street vending activity as they consider it an income-generating sector that can help eradicate poverty.

Many studies and official reports have discussed how to transition workers from the informal to the formal economy as a way to improve living standards and working conditions. These results clearly demonstrate the economic benefits of this sector. While our results are based on one case study, they do call into question, especially for middle-income countries, a simple reliance on transitioning to the formal economy as a way to improve the income of workers in the informal economy.

4.2. Street vendors of Cali

More than two-thirds of vendors are the head of household, confirming that street vending is a central part of a household's domestic economy. Table 1 provides the age and gender breakdown of street vendors in Cali. Slightly more than half are men. On average, approximately 60% of males and females have three children. However, 58% of females had their first child before turning 20, whereas only 28% of men had their first child before 20. Having a child at a young age is one of the determinants of long-term poverty as it can lead to fewer opportunities in the labor market and reduced ability to save and construct an economic safety net for the future (Ermisch, 2003; Hobcraft & Kiernan, 2001).

While only 22% of street vendors have finished high school, 6% had studied at the post-secondary level. The lower educational level among this population is not universal, which reflects, we surmise, the difficulties of finding a formal job in Cali as well as perhaps the opportunity to run a profitable business.

In addition, 82.7% of street vendors are in the low socioeconomic strata,³ 16.7% are in the middle, and the small remainder is in the high strata.

More than 70% had been located downtown for more than 5 years, and for the vast majority (86%), street vending is their only job. Street vending is neither a part-time nor a subsidiary occupation; it is a full-time sole occupation. At least 60% of street vendors consider themselves able to hold a different job; however, they state that their current occupation provides the resources needed to cover their economic needs. In other words, a majority feel that they could do another job, if they needed to, although the long days and working hours would seem to preclude extra employment. However, most do not experience the economic pressure to obtain secondary employment.

Single proprietors dominate the sector. A vast majority, 86%, are sole owners of the unit and their profits, on average, are approximately \$438 per month, compared with \$442 per month for vendors that share property. The sense of independence is a prized asset of the sector, with 66% considering the best part of their job to be their independence. Most street vendors sell goods, just 2.3% sell a service (minutes for making calls to cell phones). Only 13.5% of the street vendors hold a license given by the local government.

² The service bonus is equal to one month's wages and it is to be paid in equal amounts twice a year (June and December).

³ In Colombia, households are classified into socioeconomic strata. This classification helps determine households with similar social and economic features, according to the external physical characteristics of the household and its environment. For a deeper explanation, see Alzate, M. C. (2006). *La estratificación socioeconómica para el cobro de los servicios públicos domiciliarios en Colombia: ¿Solidaridad o focalización?*. CEPAL.

Even though our study is restricted to the context of a Colombian city, it reveals important parallels with a broader range of cities in developing countries where street vending is a prominent activity for self-employed workers. Most of the socioeconomic characteristics of Cali's downtown street vendors, such as lower educational attainment and street vending as a main source of income for their households, are also reported in different cities in the global South (Roever, 2014).

4.3. High satisfaction and optimism

Our survey results reveal a relatively content workforce. More than nine out of 10, or 93%, would not sell their business, and in the near future, only 18% plan to get a formal, stable job. Even those who run a less-profitable business are no more likely to articulate plans to sell. The commonly cited main advantages of the job are independence (46%), good income (17%), and no boss (10%). These conditions are difficult to find in a formal job in Cali and indeed in Colombia.

The worst aspect, noted by 47%, is the tough working conditions. Downtown street vendors operate in one of the hottest and most polluted areas in the city. The poor air quality downtown results in a concentration of acute respiratory diseases in the city (Acevedo, Boracejo, & Velásquez, 2013). Noise pollution is also an issue; reported levels of 72 dB are higher than the average of 70.5 dB for the city (Cali Cómo Vamos, 2014). Street vendors have to deal with the high temperatures downtown. Osso (1999) reported that the area is situated right in the heart of Cali's heat island. There are few green areas, and reflective surfaces of roads, concrete, and buildings contribute to daytime temperatures that make for a difficult working environment (Gamboa, Rosillo Peña, Herrera Cáceres, López Bernal, & Iglesias García, 2011). Almost half of our respondents mentioned environmental conditions as the main disadvantage of their employment. Other tough working conditions identified by Cali's downtown street vendors include the poor quality of workplace infrastructure (lack of access to water, electricity, toilets, and shelter). Similar responses are found in a comparative study of street vendors in Accra, Ahmedabad, Bangkok, Belo Horizonte, Bogota, Durban, Lahore, Lima, Nakuru, and Pune (Roever, 2014).

Street sellers were asked under what conditions they would accept a formal job. A full 31% said they would accept if wages were higher than their current income, and 15% would accept minimum wage if it included social security and better workplace conditions. Only 5.5% would accept a wage equal to their average profit and 1% would accept less than that if it includes social security. Most respondents had little incentive to change employment because given their educational level, it would be very difficult to find another job that paid them more than their current earnings.

Downtown street sellers were asked whether they perceive an improvement in their socioeconomic conditions compared with their parents; 48% of respondents consider themselves to be in a better position. This finding is not surprising as Colombia has experienced improving social conditions and a decline in civil conflict. By the end of the 1980s, less than 70% of the population finished elementary school, whereas by 2005, more than 90% of the population in urban areas had access to the same level of education (Banco Mundial, 2009). Poverty has declined steadily since the 1960s, life expectancy has risen, infant mortality rates have declined, and government welfare has expanded with programs to alleviate the conditions of the poorest (CEPAL, 2012). Street sellers, along with most of the population, enjoy improved socioeconomic conditions compared with their parents.

Regarding improvement in short-term socioeconomic conditions, street sellers were asked whether they perceive an improvement in their socioeconomic conditions compared with last year: 36% affirm themselves to be better off than last year, 39% felt they were in the same position, and 22% consider themselves worse off. Fig. 2 shows this pattern.

In general, most vendors, 77%, are satisfied with their living standards. However, optimism may mask economic uncertainty as

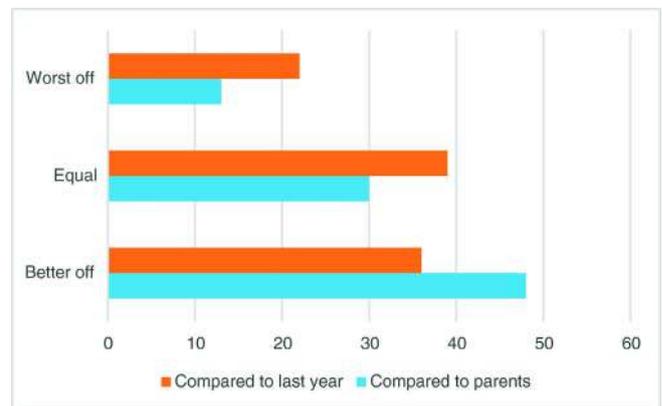


Fig. 2. Improving conditions compared to last year and parents' socioeconomic conditions.

approximately 19% of street sellers do not have the economic resources to make a living every month and are the only wage earner in the household. Just over a third, 37.8%, of the street vendors have a financial loan, and half of them have a *gota gota*, Colombia's version of payday loans. These informal loans have a higher interest than the rate banks can legally charge. The principal purpose of these loans is investment in the business (71%) and paying debts (24%). Only 30% own a house compared with 52% of the city's population.

4.3.1. Political economy of street vending

This section presents the analysis of sales, costs, and profits of operating informal stalls in downtown Cali as a contribution to better understanding the workings of the informal economy (Godfrey, 2011; Webb, Ireland, & Ketchen, 2014). The results are based on the information provided by downtown street vendors to the survey questions.

4.4. Sales

The average monthly total sales in a downtown stall is US\$1927. However, as Fig. 3 shows, great differences can be seen between street vendors in terms of monthly sales. The top five sellers per month are footwear (\$4038), games or toys (\$2770), juices (\$2364), lottery tickets (\$1950), and clothing (\$1879). In terms of average cost (cost of purchasing of the goods and carrying costs), footwear is the most expensive, and the next four in declining size are miscellaneous, CDs, minutes for cell phones, and food products.

No significant difference was found between average sales and length of occupancy. A more significant source of difference is the length of time people have been street vendors (see Table 2). This difference is significant with a 90% confidence level for a difference between less than 1 year and between 1 and 3 years, and a 99% confidence level for between less than 1 year and more than 5 years. This is surprising because we would expect that a longer time in the business would increase sales. This difference overlaps with educational attainment as the cohort with less than 1 year of experience contains a higher percentage of people with secondary or higher educational attainment than the other two groups. The higher the educational level, the higher are the average monthly sales (Table 3).

4.5. Costs

The average monthly cost of running a stall in downtown Cali is \$1037. This figure includes the cost of products (raw material or finished goods) and carrying costs (expenses incurred by stocking finished goods in inventory). We are probably underestimating the total costs as the survey did not ask for direct labor costs, rent charged for the public

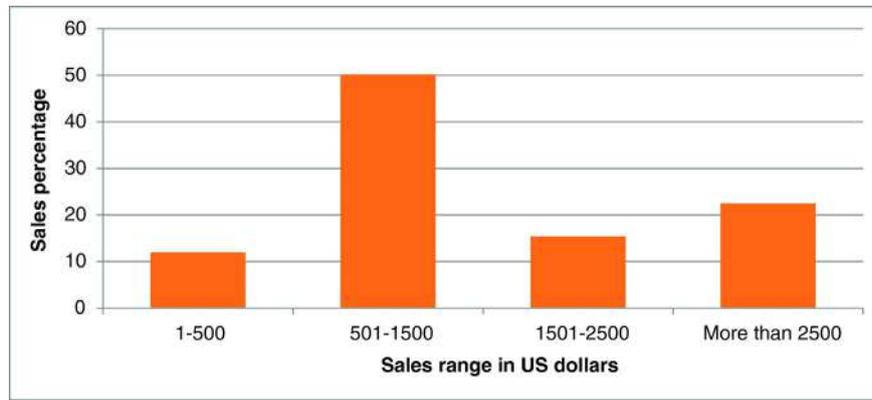


Fig. 3. Monthly sales by range of street vendors in Cali.

space they occupy (even though public space is free, there have been cases where people rent this space), and other costs. Direct labor costs could be an important cost because 59% of the street vendors employ other persons to work for them. Our calculation suggests that this includes a total of 442 persons. We do not know their working conditions but we can presume it is characterized by the absence of social security and guaranteed workers' rights.

The great majority, 87% of street vendors, purchase raw material from wholesalers, 2.5% directly from the producer, 6.5% from retailers, and 2.5% produce the raw materials themselves. It is a cash business, with 90% of suppliers only selling to street vendors on a cash basis. This is an important characteristic of the informal economy as it hides economic transactions from official records, so both parties (street vendors and suppliers) can avoid taxes.

Other costs include the storage of goods in the inventory, with 71.8% of the street vendors paying these costs in a daily basis, 3% paying weekly, and 25.2% paying monthly. Most of them store their goods in warehouses and parking lots. These transactions are not registered and therefore not subject to taxes.

4.6. Profits

The surveyed downtown street vendors reported earning monthly profits of approximately \$438 per month. That is higher than the average monthly income of a person working (\$367) and higher than the \$304 minimum wage per month in Colombia. This figure averages across a wide range of earnings, as 60% of street vendors reported a monthly profit below \$400. The higher the educational attainment a vendor reached, the higher the expected profit level, except for those who have an incomplete secondary education, who earn a higher profit than those who have completed secondary education. Men tend to earn more than women at each educational level. Vendors that are license-holders have higher profits than those that do not have a license; the former earn \$467 and the latter \$436 per month. The five highest profit

(per month) businesses are eye glasses (\$775), juice (\$673), cell phone accessories (\$659), footwear (\$617), and miscellaneous (\$612).

We calculated the net profit as we had information on sales and costs (finished products and carrying costs), and compared it with the profits reported by the street vendors. We found that about 35% of the street vendors who reported positive profits were actually having negative profits; the average loss was \$212 per month. If these figures are accurate, this shows a low level of financial awareness (perhaps weak arithmetic and accounting skills) and a finding that many street vendors are losing, rather than making, money. On the one hand, the loss could be higher as we did not include other daily operation costs. On the other hand, there is possibility of reporting errors as well as monthly losses being recorded especially during busy times when inventories are being stocked, thus masking annual profits. In other words, while we may be registering temporary losses, this may mask overall annual profitability. This is clearly an area that deserves further investigation.

Among those who are losing money, only 20% want to change to a formal job in the near future, 11% want a change of activity and workplace, and 95% would not sell their business, reinforcing the idea of the temporary nature of the losses. Those percentages are similar to those found for street vendors that have positive profits. Close to two-thirds (64%) of street vendors that had losses believe that their business provides enough money to live and 73% believe their business has improved their household income.

4.6.1. Linkages

In this study, we want to examine the linkages between this informal economy and the formal economy as well as with government services, particularly welfare services.

4.7. Economic linkages with the formal sector

Street vendors in Cali operate close to and alongside the formal economy of fixed stores in a shared retail space. The street vendors

Table 2
Average monthly sales by numbers of years as street vendor.

| Number of years been a street vendor | Monthly sale Average |
|--------------------------------------|----------------------|
| Less than a year | 2731.2 |
| Between one and three years | 1662.9 |
| Between three and five years | 1995.1 |
| More than 5 years | 1829.9 |

Table 3
Level of education and average monthly sales.

| Level of education | Average monthly sale |
|----------------------|----------------------|
| None | 993 |
| Incomplete primary | 1401 |
| Complete primary | 1572 |
| Incomplete secondary | 1972 |
| Complete secondary | 2509 |
| Technical | 2879 |

Table 4
Economical linkage between street vendors and suppliers.

| Supplier | Num. of street vendors | Average product cost (\$) | Average monthly purchase from supplier (\$) |
|---|------------------------|---------------------------|---|
| Producer | 10 | 1034 | 10,344 |
| Wholesaler | 407 | 949 | 386,321 |
| Retail | 31 | 484 | 15,020 |
| Self-produced | 12 | 1074 | 12,890 |
| Total average transaction by month (\$) | | | 424,575 |

operate in a commercial area of the city; their stalls are situated outside and alongside the stores and businesses of the formal sector. There is a symbiosis of agglomeration as street vendors and formal stores provide a dense and proximate set of shopping opportunities that attracts customers. Downtown street vendors and formal stores together provide a concentrated supply of retail opportunities for shoppers, differentiated by price and quality but collectively providing a complex retail space. Goods and services as well as knowledge are shared and transmitted across the formal/informal division that our fieldwork reveals to be liminal and fluid. Suppliers provide goods to formal and informal vendors and shoppers buy from vendors in the streets as well as fixed stores and enclosed malls in the area. This fluid and liminal linkage between the formal and informal sector has been found in other developing countries as well (Roever, 2014).

Economic linkages also exist as street vendors purchase goods from the formal economy. Table 4 shows economic transactions between street vendors and suppliers. In total, almost \$0.5 million changes hands as vendors purchase goods from producers, wholesalers, retailers, and local producers each month. Economic linkages exist between street vendors and owners of storage spaces. Those who pay for storage on a daily basis pay more than \$33 per month, the ones who pay weekly pay around \$20.30 per month, and the ones who pay monthly pay \$16.50. Considering the number of street vendors that reported paying for storage space, we calculate that US\$145,422 circulates annually just between those who pay daily and warehouse and parking lot owners.

Most of these economic transactions are off the books, meaning there is no official record and they are not taxable. We cannot tell if these transactions are between informal and formal economic agents. The practice is most likely a complex mix of formal and informal with informal agents dealing with formal agents and formal agents operating informally and sometimes formally. A simple informal/formal dichotomy tends to break down in the face of such complex flows across these boundaries.

4.8. Connections with the State

We consider two relations between the informal sector and the State. The first concerns the government's attitude toward the legal status of street vendors' operations.

From a government perspective, street vendors impose a cost by their occupation of public space, such as reducing vehicle mobility in the area, without paying taxes. However, several constitutional rights—among them the right to work—make vendor removal a very costly and difficult process for city governments to implement. The process that led to this point came from street vendors using a “*tutela*,” which is an easily accessible legal mechanisms used by ordinary citizens to claim protection of their constitutional rights. Colombia's Constitutional Court has established several ways to protect the street vendors (ruling T-722/06, ruling T-386/13, ruling T-231/14, and ruling T-334/15). Local governments have to negotiate relocation plans with street

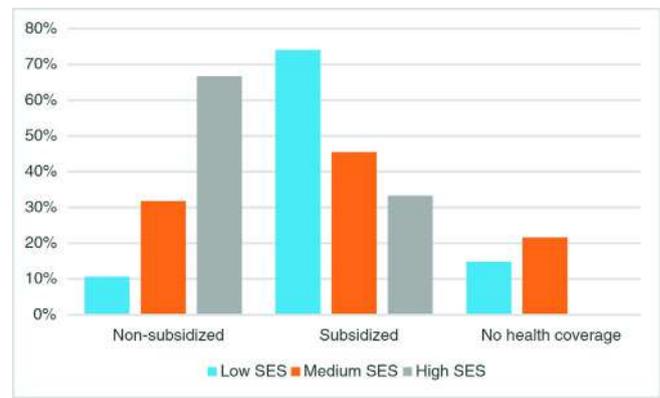


Fig. 4. Health coverage and socioeconomic strata.

vendors before removing them from public space and as the relocation process is costly and difficult to implement, government intervention is limited (Corte Constitucional, 2014; Martínez & Short, 2016). Street vendors, knowing that they are protected by constitutional rights, are often unwilling to negotiate any kind of relocation process with the government. An ethnographic study conducted with street vendors in Bogota concluded that street vendors' noncompliance with local interventions can be interpreted as a coping mechanism, a channel to articulate their ideas about the unfairness of the political and economic system through one of the few opportunities available to vulnerable groups in Colombia (Vargas & Urinbojev, 2015). Street vendors in downtown Cali and elsewhere in Colombia are fully aware of their bargaining position and the limits of local government power.

One of the most used mechanisms to regulate street vending activity in Colombia is relocation. This strategy has been used in several cities of the country. Even though no formal and rigorous evaluations have been carried out, the available evidence indicates poor implementation (Donovan, 2008; El Tiempo, 2013).

A more subtle relationship exists between street vendors and the government, rarely discussed in other studies, namely vendors' engagement with the country's welfare system. In Colombia, two methods are used to target social spending to the poor. One is a geographical targeting instrument, implemented since 1965, based on the external characteristics of neighborhoods, such as access to public services and dwelling quality. Households are classified using a scale from 1 to 6, with 1 the poorest and 6 the richest. This mechanism enables the targeting of subsidies for potable water and electricity. The second instrument, in place since 1994, is the System for Selecting Beneficiaries of Social Spending (SISBEN, in Spanish). This measurement is based on an index of multidimensional poverty. SISBEN is used to classify individual households and allocate cash transfers, scholarships, subsidies for the elderly, and subsidized health insurance (Castañeda, 2005).

Subsidized health insurance is probably the most important social protection program for the poor; it provides access to healthcare free of charge and without out-of-pocket expenses for medicine. The program is intended to cover those without the economic resources to pay for health insurance (Guerrero, Gallego, Becerril-Montekio, & Vásquez, 2011). Under the current law, all individuals who make more than a minimum wage (approximately US\$300 monthly) should pay for health insurance. However, the government lacks the ability to track informal workers' incomes. As a result, despite the fact that many street vendors have the economic capability to pay for health insurance, they are covered by the public health system, even when their income puts them into the higher socioeconomic strata.

Fig. 4 shows the percentage street vendors who use the public and private health system by socioeconomic strata.⁴ Only 15% of street vendors pay for their health insurance (non-subsidized), 69% use the public health system (subsidized), and 15% do not have any form of health insurance. For those who use the public health system, we found that 11% of them live in neighborhoods classified as medium or high SES. Sixty percent of those who use subsidized system make more than \$11 daily profits. Moreover, 9% declare that they have received other subsidies from the government besides health insurance such as cash transfers to women with children and seniors over 60 years of age.

The government is unable to track street vendors' income and so cannot block access to subsidized programs by those who have the resources to pay for health services. While street vendors are in the informal economy, they benefit directly from government welfare programs. As variations in street vendors' income and socioeconomic conditions are considerable, some may be using the welfare system despite their ability to pay, whereas other vendors may genuinely be eligible for health and other government benefits. This important difference within street vendors is pivotal for any kind of government intervention.

We have demonstrated that street vendors make significant use of the subsidized health system despite not contributing to the cost of the program. Vendors avoid these costs, borne by those in the formal sector, but enjoy the benefits. Colombia is in the position of having a significant informal sector as it transitions to middle-income status, with a corresponding increase in social welfare spending and construction of a social safety net. At least 69% of street vendors receive health services for free. In other words, they do not pay for this emergent welfare state despite benefiting from it.

5. Conclusion

We have undertaken and reported on a major survey of downtown street vendors in Cali, Colombia, providing detailed information that is unusual in the literature of street vending, which is too often characterized by limited survey data or anecdotal reporting. The data were used to address specific issues surrounding street vending activity, such as how distinctive downtown street vendors are from the general working population, what the internal dynamics of street vending are, and how does street vending interact with the State. What general conclusions can we draw? There are at least four.

First, we found that downtown street vendors, different from the general conception of being a marginalized and vulnerable group, are very similar to an average worker in Cali's labor market in terms of age, marital status, and number of days worked. They tend to be less educated and work longer hours but they report higher absolute incomes and high levels of satisfaction with their employment. While they labor long hours in tough environmental conditions, they are relatively satisfied with their employment, report that they feel better off than their parents as well as over the short term, and experience high levels of satisfaction with the independence afforded by their employment. For the vast majority, street vending is their only job and their household's principal source of income.

Second, this sector is an important part of the overall economy, with significant sales and profits. The average monthly profit of surveyed downtown street vendors is higher than the average income in Cali's formal economy and higher than the minimum wage. Men tend to earn more than women, and those with higher educational levels do best. We did find that almost a third showed a loss. This reflects either a low level of financial awareness (unlikely) or a case of reporting errors or short-term losses masking annual profits.

Third, we showed how the informal economy in Cali's downtown does not exist in isolation but has important linkages with the formal sector and government sector. Significant flows of money occur

between the formal and informal economies as street vendors purchase goods and services from the formal economy. The distinction between formal and informal is more liminal than fixed. There are also important links with the State. Street vendors have an advantage in their dealings with a State limited in its power to relocate them. They have a high level of spatial freedom, not revealed in many other studies. Similarly, we revealed how many street vendors use the welfare system to obtain free health benefits, a direct subsidy from the State to the informal sector.

Fourth, our results allow an empirical verification of the four main theories outlined earlier. Our results suggest that the voluntarist perspective has much to commend it. We found that this informal sector offered significant income advantages. There are benefits to informality, especially when we factor in free health benefits. The informal sector is not so much parallel to the formal sector, as suggested by the dualist perspective, as deeply intertwined.

5.1. Policy implications and recommendations

The informal economy remains an important and vital part of the economic life of cities in the global South. In this study, we showed how city-center street vendors are neither marginal to the formal economy nor unconnected to civil society. These results have policy implications for the city urban planning and economic development. The first policy implication is recognizing street vending as an activity that generates income and jobs that brings goods and services to consumers. City urban planning should consider accommodating street vendors in public spaces and providing urban design innovations that allow street vendors to conduct their economic activity with the proper provision of sanitation services and shelter. Licenses and permissions are widely used mechanisms to accommodate street vendors within the public spaces in different cities in the global South (Roever, 2014).

Urban design innovations need to understand street vendors' basic needs and day-to-day working process to provide alternatives for appropriate infrastructure, storage, sanitation, and shelter facilities. Examples already exist showing how government intervention can facilitate storage and transportation for street vendors in programs that can be translated into the context of specific cities (Kumar, 2012). Given the links between the formal and informal sectors, some of these interventions could be a result of an alliance between government, formal sector, and informal sector to implement successful measures.

Another policy implication for the case of Cali is the need for organizations to represent street vendors' interests. The small proportion of vendors belonging to an organization may constrain and limit interaction between street vendors and the government. Efforts to help organize them may have to be promoted and financed by the government, as has been the case with other workers in the informal sector in the Colombian context.

Any intervention should consider important variations among street vendors. Some vendors, for example, are able to accumulate enough capital to pay rent, health insurance, and taxes for public space use, whereas others vendors are barely able to cover their basic needs. Policy intervention should be focused on prioritizing those who are more vulnerable. More targeted surveys are needed to gauge the earnings and characteristics of peripheral street vendors, who may be very different from downtown street vendors.

The survey findings reinforce the importance of generating policy interventions that respond to specific contexts. Not all of Cali's street vendors are poor, as some downtown vendors earn enough to guarantee their basic needs and even to save money; this is in contrast with findings from Africa (Alila & Mitullah, 1999; Skinner, 2008). Hence, policies employed in one region are not generalizable, and each city must craft policies specific to its context. The informal economy in general, and street vendors in particular, are embedded in specific cities. The most effective policies will reflect this fact while also learning from the successes and mistakes of other cities.

⁴ Socioeconomic strata scale (defined above) comprised categories 1–2 as low SES, 3–4 as medium SES, and 5–6 as high SES.

Appendix A. Annex 1 Survey

| | | |
|--|--|---|
|  | CARACTERIZACIÓN VENDEDORES AMBULANTES CALI | MAESTRÍA EN GOBIERNO Facultad de Derecho y Ciencias Sociales <small>BOGOTÁ - COLOMBIA</small> |
| Continuación de la página anterior III. OPERACIÓN Y DEL NEGOCIO EN GENERAL | | |
| 43. ¿Cada cuánto surte el negocio? 1 <input type="checkbox"/> Diario 2 <input type="checkbox"/> Semanal 3 <input type="checkbox"/> Quincenal 4 <input type="checkbox"/> Mensual 5 <input type="checkbox"/> Otro 43.1 ¿Cuál? _____ | 44. ¿A quién o donde compra su mercancía? 1 <input type="checkbox"/> Directamente en la fábrica 2 <input type="checkbox"/> Mayoristas 3 <input type="checkbox"/> Minoristas 4 <input type="checkbox"/> Usted lo produce 5 <input type="checkbox"/> Otro 44.1 ¿Cuál? _____ | 45. ¿Cuál es la condición de pago de quien le vendió la mercancía? 1 <input type="checkbox"/> Contado 2 <input type="checkbox"/> Crédito 3 <input type="checkbox"/> Creditocontado 4 <input type="checkbox"/> Otra 45.1 ¿Cuál? _____ |
| 46. ¿Cuánto vende en promedio al día? _____ (Valor) | 47. ¿Su negocio le aporta los recursos suficientes para su sustento? 1 <input type="checkbox"/> Sí 2 <input type="checkbox"/> No 3 <input type="checkbox"/> Algunas veces 4 <input type="checkbox"/> No sabe/ No responde | 48. ¿Usted diría que su negocio le ha mejorado sus ingresos? 1 <input type="checkbox"/> Sí 2 <input type="checkbox"/> No 3 <input type="checkbox"/> No sabe/ No responde |
| 49. ¿Cuánto cree que es su ganancia promedio? _____ (Valor) | 50. ¿En qué valor aproximadamente vendería su negocio? 1 <input type="checkbox"/> No lo vendería | |
| 51. ¿Dónde guarda su mercancía? _____ | | |
| 52. ¿Cuánto le cuesta guardar su mercancía? _____ (Valor) | | |
| 53. ¿Cuáles son sus expectativas laborales en el corto y mediano plazo? 1 <input type="checkbox"/> Conseguir un trabajo formal y estable 2 <input type="checkbox"/> Cambiar de lugar de trabajo con la misma actividad 3 <input type="checkbox"/> Cambiar de lugar de trabajo y actividad 4 <input type="checkbox"/> Continuar con la misma actividad y lugar 5 <input type="checkbox"/> Cambiar de ciudad 6 <input type="checkbox"/> Otra 53.1 ¿Cuál? _____ | | |
| 54. ¿Si le ofrecen un trabajo formal y estable dejaría este trabajo siempre y cuando? (LEER OPCIONES - MULTIPLE RESPUESTA) 1 <input type="checkbox"/> El salario es igual al promedio de sus ingresos actuales 2 <input type="checkbox"/> El salario es superior al promedio de sus ingresos actuales 3 <input type="checkbox"/> El salario es menor pero compensado con seguridad social 4 <input type="checkbox"/> El salario equivale a 1 SMMLV con mejores condiciones laborales y seguridad social 5 <input type="checkbox"/> Ninguna de las anteriores 6 <input type="checkbox"/> Otra 54.1 ¿Cuál? _____ | | |
| 55. ¿Qué alternativas de solución plantearía ante la posible afectación de su negocio por la recuperación del espacio público en el centro de Cali? 1 <input type="checkbox"/> Ser reubicado 2 <input type="checkbox"/> Conseguir un nuevo empleo 3 <input type="checkbox"/> Acudir a acciones judiciales 4 <input type="checkbox"/> Recibir un subsidio 5 <input type="checkbox"/> Otro 55.1 ¿Cuál? _____ | | |
| A continuación voy a evaluar sus condiciones económicas y las de su familia IV. INGRESOS Y GASTOS | | |
| 56. Dadas las condiciones económicas actuales de su hogar, cuánto considera usted que sería un ingreso mensual en su hogar: 56.1 Insuficiente (Alcanza sólo para cubrir necesidades básicas del hogar) 56.2 Bueno (Cubre todas las necesidades básicas del hogar y sobra) 56.3 Muy bueno (permite vivir con comodidad y ahorro) | | |
| 57. Comparado con el año pasado, usted considera que su situación económica ha (LEER OPCIONES): 1 <input type="checkbox"/> Mejorado 2 <input type="checkbox"/> Sigue igual 3 <input type="checkbox"/> Empeorado 4 <input type="checkbox"/> No sabe/no responde | | |
| 58. ¿Usted está satisfecho o insatisfecho con su estándar de vida? Es decir, ¿con todas las cosas que puede comprar y hacer? (Gallup World Poll) 1 <input type="checkbox"/> Sí 2 <input type="checkbox"/> No 3 <input type="checkbox"/> No sabe/no responde | | |
| 59. Comparado con sus padres, ¿usted ha mejorado o empeorado en su condición socio-económica? 1 <input type="checkbox"/> Mejorado 2 <input type="checkbox"/> Sigue igual 3 <input type="checkbox"/> Empeorado 4 <input type="checkbox"/> No sabe/no responde | | |
| 60. ¿Actualmente tiene usted una cuenta de ahorros o algún tipo de servicio financiero? 1 <input type="checkbox"/> Sí 2 <input type="checkbox"/> No 3 <input type="checkbox"/> No sabe/ No responde | | |
| 61. ¿En el último año ha realizado algún tipo de préstamo y/o está pagando uno? 1 <input type="checkbox"/> Sí 0 <input type="checkbox"/> No (Pase a la pregunta 64) | 62. ¿Con quién y/o a quién? (MÚLTIPLE RESPUESTA) 1 <input type="checkbox"/> Familiar 2 <input type="checkbox"/> Amigo 3 <input type="checkbox"/> Prestamista/ Gota a gota 4 <input type="checkbox"/> Banco 5 <input type="checkbox"/> Institución de micro finanzas 6 <input type="checkbox"/> Ninguna de las anteriores | 63. ¿Cuáles fueron los propósitos de los préstamo(s) realizados en el último año? (MÚLTIPLE RESPUESTA) 1 <input type="checkbox"/> Pagar deudas 2 <input type="checkbox"/> Celebración 3 <input type="checkbox"/> Enfermedad 4 <input type="checkbox"/> Invertir en un negocio - Unidad productiva 5 <input type="checkbox"/> Otro 63.1 ¿Cuál? _____ |
| 64. Los gastos de su hogar son aproximadamente (incluya alimentación, servicios, vivienda, educación, salud ect): _____ (Valor) 1 <input type="checkbox"/> Diarios 2 <input type="checkbox"/> Semanales 3 <input type="checkbox"/> Quincenales 4 <input type="checkbox"/> Mensuales | 65. ¿En promedio, a cuánto ascienden sus ingresos mensuales? _____ (Valor) 1 <input type="checkbox"/> Diario 2 <input type="checkbox"/> Semanal 3 <input type="checkbox"/> Quincenal 4 <input type="checkbox"/> Mensual | 66. ¿Sus ingresos provienen únicamente de ser vendedor ambulante? 1 <input type="checkbox"/> Sí 0 <input type="checkbox"/> No 66.1. ¿De qué otra parte? _____ |
| Finalmente, evaluaré si ha sido entrevistado alguna otra vez y/o posee algún tipo de registro V. REGISTRO | | |
| 67. ¿Ha sido encuestado en ocasiones anteriores? 1 <input type="checkbox"/> Sí 66.1 ¿Cuándo? _____ 0 <input type="checkbox"/> No 66.2 Entidad _____ | | |
| 68. ¿Tiene permiso? 1 <input type="checkbox"/> Sí 67.1 ¿Quién lo expidió? _____ 0 <input type="checkbox"/> No | | |
| Agradezca y termine la encuesta En esta hoja el encuestador debe responder las preguntas que se formulan a partir de la observación en el campo I. HOJA DE OBSERVACIÓN DEL ENCUESTADOR | | |
| 1. Zona de ubicación: _____ (Dirección) | 2. Área aproximada que ocupa el negocio en MTS _____ (MTS) | 3. Tipo de instalación 1 <input type="checkbox"/> Fijo 2 <input type="checkbox"/> Móvil 3 <input type="checkbox"/> Otra 3.1 ¿Cuál? _____ |
| 4. Número de personas atendiendo _____ | | 5. ¿Tipo de ventas? 1 <input type="checkbox"/> Accesorios para celulares 2 <input type="checkbox"/> Accesorios ¿Tipo? _____ 3 <input type="checkbox"/> Calzado 4 <input type="checkbox"/> Miscelánea 5 <input type="checkbox"/> Relojería y/o reparación de relojes 6 <input type="checkbox"/> Comidas 7 <input type="checkbox"/> CD'S 8 <input type="checkbox"/> Frutas 9 <input type="checkbox"/> Minutos 10 <input type="checkbox"/> Boleos / Billeteras / correas / Artículos en cuero 11 <input type="checkbox"/> Confitería y/o Cigarrería 12 <input type="checkbox"/> Herramientas / Cucharros ¿Tipo? _____ 13 <input type="checkbox"/> Periódicos / Revistas / Libros 14 <input type="checkbox"/> Bebidas / Jugos 15 <input type="checkbox"/> Loterías / Chance 16 <input type="checkbox"/> Juegos / Juguetes 17 <input type="checkbox"/> Gafas 18 <input type="checkbox"/> Porcelanas 19 <input type="checkbox"/> Hierbas medicinales 20 <input type="checkbox"/> Otra 5.1 ¿Cuál o cuáles? _____ |
| 6. Posee sombrilla y/o parasol 1 <input type="checkbox"/> Sí 0 <input type="checkbox"/> No | | 7. Posee tendido 1 <input type="checkbox"/> Sí 0 <input type="checkbox"/> No |
| 8. ¿Tipo de mobiliario? 1 <input type="checkbox"/> Carreta 2 <input type="checkbox"/> Caseta 3 <input type="checkbox"/> Suelo 4 <input type="checkbox"/> Kiosko 5 <input type="checkbox"/> Mesa 6 <input type="checkbox"/> Vitrina 7 <input type="checkbox"/> Carro 8 <input type="checkbox"/> Base 9 <input type="checkbox"/> Asador 10 <input type="checkbox"/> Triciclo 11 <input type="checkbox"/> Cajón 12 <input type="checkbox"/> Otro 8.1 ¿Cuál? _____ | | 9. ¿Cuál es el estado del mobiliario? 1 <input type="checkbox"/> Bueno 2 <input type="checkbox"/> Regular 3 <input type="checkbox"/> Malo |

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