# Street Vendors and the Dynamics of the Informal Economy: Evidence from Vung Tau, Vietnam

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#### Abstract

The role of the informal economy in promoting genuine economic development remains a contested one: optimists believe potential entrepreneurs are capable of supporting themselves and their families, perhaps with the assistance of interventions; pessimists, meanwhile, see such individuals as being subject to the forces of global capitalism with which they cannot contend and who must survive increasingly difficult housing, living and environmental conditions which threaten their security. Previous research of street vendors in Bangkok indicated some support for both points of view and this paper extends the research to Vung Tau in Vietnam, which is an oil industry centre and emerging tourist resort. To what extent are vendors able to upgrade their products and business models to take advantage of the new demands available and what difficulties do they face in their work? To date, they have not been able to take advantage of such opportunities.

Keywords: Informal economy, Street vendors, Vietnam, tourism, Economic development

## 1. Introduction

Informal sector workers have for some decades occupied an uncertain place in the fields of development studies, urban development studies and business studies. From a structuralist perspective, the workers have no proper status, being neither capitalist nor urbanized working class. In terms of the development debate, therefore, they tend to have been viewed as an intermediary stage between rural peasantry and urban employment. This was the view taken by the groundbreaking developing economist Todaro (1969) and his optimistic view has been influential since then. Subsequently, the Peruvian economist Hernando de Soto (2000) has characterised the urban informal sector as one which is full of entrepreneurial activity and in which the participants might be able to improve their lot if they were only able to register their assets and hence obtain leverage from them. According to such a view, micro-level interventions such as provision of finance or institutional changes would be sufficient for the entrepreneurs concerned to enter the formal sector, which would then have the benefits of regularizing employment and workplace rights, increasing the tax base and so forth. Understandably, such a view has become popular with international non-governmental organisations and such transnational institutions as the World Bank, which has been generally happy to follow an ideology that bypasses government and governmental institutions and instead works directly with on some occasions private sector bodies to involve street vendors and others at the micro-entrepreneur level. The success of Mohamed Yunus and the Al Grameen Bank represents, therefore, not just the ability of the micro-financing scheme in reducing poverty but also the embrace of such an approach by the so-called 'development establishment.'

Not everyone accepts this view of the informal sector. Davis (2007), for example, views the increasingly slum-strewn streets of the urbanizing and developing world as not being conducive to self-improvement by members of the informal sector. Instead, they are places in which such work as is available is constantly sub-divided by an excess of supply of labour, endlessly topped up by new arrivals from outlying areas. According to this perspective, it is almost impossible for individuals to escape from poverty without a widespread upheaval of the existing social order. Clearly, few governments or international organisations are willing to countenance such an approach.

As urbanisation has progressed throughout East Asia, the once vibrant but somewhat unruly street vendor sector has been largely treated as part of the indigent or beggar class and swept off the streets wherever possible. From

Seoul to Beijing to Taipei and, perhaps in the future to Bangkok, the urban street vendors have been confined to state-mandated areas, subject to receipt of services such as water and electricity and integrated into the tax base. Urban planners have tended to consider street vendors, that is, as nuisances to be hidden out of sight or at least placed into idealized locales where they may be consumer as part of a culture of museum tourism but in situations which may not be convenient for drawing customers, especially when the principal competitive advantage that vendors offer customers are convenience through location. In such cases, some vendors have fought against sequestration and fought to retain those physical positions which keeps them as close as possible to their customers (Maneepong and Walsh, 2009).

From the business studies perspective, it is convenient to divide street vendors into various categories according to the observable variables of their working style. Hence, they may be categorized according to whether they have a permanent or temporary pitch or whether they are itinerant. Other categories include the nature of goods or services provided, means of sourcing products and whether franchising or branding takes place. While it would be possible to arrange these categories in such a way as to reflect a linear progression from least to most sophisticated or in terms of increasing commitment to the business. However, there is little evidence to believe that vendors begin at a low level and progress to a higher level with a view to obtaining full-time or permanent employment. Indeed, their purposes in establishing a business may be definitively bound by time for family reasons or other personal reasons (Anantarangsi and Walsh, 2009). Research conducted in the Greater Mekong Sub-Region (GMSR), of which Vietnam is a member, indicates that most work in the informal sector is barely profitable and offers little in the way of added value activities. This contrasts with at least some street vending activities in Bangkok, where vendors (who may have been white collar workers made redundant as a result of the 1997 Asian financial crisis) have adopted quite sophisticated business models, including international sourcing, creating own brand names and franchising (Maneepong and Walsh, 2008). This phenomenon led the authors to create the label of 'new generation' of street vendors.

These issues have led to the creation of the research question investigated in this paper: that is, to what extent can evidence of a new generation of street vendors be found in locations in the GMSR other than Bangkok. One area of study was the tourist resort of Vung Tau in Vietnam, which is described below. The paper then continues with a discussion of the methodology employed in conducting the research and then goes on to enumerate and discuss the findings and their implications for policy.

## 2. Vung Tau

Vietnam is a developing country based in Southeast Asia. The country has a long history of struggle against imperialism and colonialism which culminated in the victory of the Vietnamese Communist Party in the war against the US and its allies in what was then South Vietnam. Millions were killed in this struggle. The subsequent autonomous Communist rule led to a boycott by the USA and this had a serious negative impact on economic growth. However, since the collapse of the Soviet system and the ending of financial and institutional support from Russia, Vietnam has taken steps to enter into the capitalist world system by employing the *doi moi* policy which provides for liberalization of the economy while retaining the autonomous political system (Painter, 2005). This has resulted in successive years of high growth (declining to 6.5% in 2008 and projected to dip further in 2009 and 2010 (ADB, 2009)). In addition to liberalization, the country has become more open to inward tourism. Official statistics indicate that in 2008 a total of 4,253,740 international tourists visited the country, which represented a 0.6% annual increase on 2007 (Vietnam Tourism, 2009). While the two principal cities of Ho Chi Minh City (previously Saigon) and the national capital of Hanoi are particularly important in tourism, beach resorts including Vung Tau are also notable.

Vung Tau is located in the south of Vietnam, in a peninsula not far from the southern capital of Ho Chi Minh City. Portuguese and French sailors passed the place and named it after St Jacques. Malay pirates also created a base there for a while. It was also the site for the first firing of cannon by the Vietnamese forces against French battleships in 1859. Vung Tau was colonized by the French along with the remainder of the country and its tourist resort nature first became manifested. During the Second Indochinese War, American and Australian troops occupied the area and tourism was heightened by use of the town for in-country rest and recreation. The tourism industry has subsequently been developed through building of hotels and infrastructure, with tourists attracted by the beaches, seafood and some cultural attractions. However, of perhaps greater economic significance has been the discovery of oil and gas in the sea offshore. This has been exploited since 1980, when the Russian (previously Soviet Union) and Vietnamese joint venture Vietsovpetro was formed in 1981 by Zarubezhneft and Vietnam's Petrovietnam (BBC, 1999). The Russian influence on the development of the oil industry and in the local community is very evident, not least because of the presence of Russian cuisine in the resort's restaurants. Gas from the Nam Con Son field supplies the 3,600 MW power complex located at the Phu

My Power Generation Centre, which was created as the country's first such development (International Financial Law Review, 2002). A Canadian-US partnership is set to build Vung Tau's largest tourism resort, including an 1,100 room five star hotel and championship golf course in a US\$4.2 billion development (Building, 2008). This is indicative of the rapid growth and development of the city.

Vung Tau today combines an impressive physical infrastructure in terms of transportation, which exceeds the quality of infrastructure to be found in the principal cities of the country, both of which suffer from considerable traffic problems. Vung Tau not only has broad and well-tended roads but a modern ferry terminal hosts the hydrofoils which each make several trips daily to and from Ho Chi Minh City. The beach front area has a strip of restaurants and entertainment venues catering to a variety of international tastes, with Russian being prominent. Various hotels offer accommodation to people operating on a variety of budgets. The backpacker sector is not very well represented and the resort appears to be aiming for a more up-market form of tourism. There are also two more or less separate karaoke sectors, one of which is aimed primarily at local and visiting Vietnamese and is entirely respectable for women as well as men to visit. Another sector is clustered behind the beachfront region and caters more for male tourists. Retailers near this area in particular have adapted their offerings for a tourist audience, with varieties of alcohol and western snacks and foodstuffs much more available. Recently, a new department store with supermarket has been opened in a shopping mall space. The range of goods available and the scope of the goods provided is quite limited still but there is space for expansion. It is notable that some ranges of frozen foods are now being provided in the supermarket and there are other value added products available both from local produce and from overseas.

Street vendors occupy many areas throughout the city, both official and unofficial. Some are mobile in nature and others prefer a more settled position. Pitches have been marked out around some of the various open public spaces for vendors to use but either there is still insufficient supply of vendors or else they only operate on certain periodic occasions. As the tourism industry is still developing, it is likely that the nature of more modern street vending operations is also developing. Further research at a later date might help to establish the extent to which this is true.

#### **3. Research Questions**

Evidence indicates that economic shocks affect the vulnerable more than average and that members of the informal sector of the economy are counted within that category (Horn, 2010). However, given that so many members of the informal sector are hidden from official scrutiny, it is not surprising that comparatively little useful information on how the sector works is available and there are gaps in locating the relevant activities within a theoretical framework (Webb et al., 2009). This is particularly true in the case of countries undertaking the transition from a centralized, communist command economy to a market-based economy, since new categories of law and new institutions have to be created and enforced in conditions of often weak technical capacity (e.g. Wallace and Latcheva, 2006). It has been argued that bringing informal sector workers into the framework of the law will empower those workers and enable them to benefit from the protection of the state and its institutions (e.g. Faundez, 2009). This follows from the working definition of the modern, urban informal sector as being composed of people who receive few or no benefits, no security of employment and are usually unprotected by labour laws (or other forms of law) (Huang, 2009). As noted in the introduction, this is not a universally accepted view. Research that has been conducted in the Mekong region in connection with these issues has tended to focus on the vulnerability of informal sector workers and the fact that empowerment through legalization or regularization of their activities is compromised by the often opaque and corrupt nature of many of those institutions. This is often discussed tangentially (e.g. Nirathron, 2006; Kusakabe, 2004; Tantiwiramanond et al., 2001).

In this context, therefore, this research has sought to explore the nature of informal street vendor activities in Vung Tau in southern Vietnam with a view to making a contribution to the debate on whether street vending is able to provide decent work for its practitioners and whether empowerment of the people concerned would be effected by bringing them under the protection and responsibilities imposed by the legal system.

## 4. Methodology

The research was based on a qualitative approach using semi-structured questionnaires. This is because the research was exploratory in nature and aimed to provide new data on the lives and businesses in Vung Tau with a view to creating more appropriate policy to improve the social and economic development of the community. The data could be compared to data from other settings and, from the data, some hypotheses or theories might emerge.

A questionnaire agenda was constructed based on existing knowledge, previous research conducted by the author and initial investigation of the population of street vendors in Vung Tau. Initial understanding of the population, subsequently confirmed by the local interviewers, indicated a division between traditional vendors with low value-added products aimed at local people and, on the other hand, smaller sectors often with slightly higher value-added products aimed at either the corporate oil sector or the national and international tourist sector. The interviewer was instructed to try to interview vendors across this range of different business people. While the respondents were selected according to random and convenience methods, the interviewer was also instructed to abide by the principle of maximum diversity within the overall sampling strategy (List, 2004). This method, which employs an exploratory qualitative approach, has yielded good results in other research projects similar in scope and style to that described here (e.g. Reid and Walsh, 2003; Reid, Walsh and Yamona, 2001; Southiseng et al., 2008; Ty et al., 2009; Walsh, 2010).

The semi-structured interview was written in English and then translated into Vietnamese by a qualified individual (university lecturer in business studies). The interviewer conducted interviews in Vietnamese and the transcripts were then interpreted back into English by the translator. The interviewer was encouraged to engage the interviewees in conversation surrounding the issues identified on the questionnaire and to probe for further information. However, the interviewer was inexperienced and the results were not as revealing as might have hoped. This represents a limitation of the research. Another limitation is the absence of statistics of the population of street vendors in Vung Tau and, indeed, of Vietnam more generally. This makes it difficult to assess the degree to which the sample achieved approximates the population. Future research might aim to quantify the population of street vendors.

Interviews were carried out between February 21<sup>st</sup>-27<sup>th</sup>, 2009. A total of 40 interviews was conducted. From these interviews, the following data about the sample was obtained: 13 (32.5%) had reached primary school level, 11 respondents (27.5%) had reached elementary school level and the remaining 16 (40.0%) finished high school. The level of education in this street vendor sample is, therefore, quite low. Elementary school level is defined as the first three years of secondary education, while high school takes the student to the age of 16.

The average age of the vendors was 40.9 (standard deviation of 11.1) and the length of time they had been in business was 8.0 years (standard deviation of 7.3 years). Some vendors had 30 years of experience, while several had been operating for just one year or less. In other words, there is quite a wide range in terms of age and experience.

# 5. Findings

Few respondents showed any sign of tending towards the new generation of street vending. Instead, vendors tended to talk about the freedom that their occupation gave them and to have settled into the profession as a long-term career. Few thought of investing more in their business for subsequent development, apart from trying to obtain better quality supplies of fruit or other products. Similarly, few vendors thought to diversify their product or indeed to change it at all over the period of years. They rather tended to define themselves by the products they sold and by the space their stall occupied. Many of the vendors close to them were either genuine relatives or considered to be adopted relatives.

Business practice was generally straightforward. Vendors might offer regular customers a discount and try to establish some rapport with them but that seems to be the limit of what they will customarily aim to achieve to improve their profitability. There was very little activity, according to respondents, in support of market research, product development or investment in the business with a view to future growth. The business operations were characterised as being static rather than dynamic and the response to change was reactive rather than pro-active. In short, there was little evidence to support the idea that street vending could act as a staging post into new employment. This contrasts with research conducted elsewhere and might be a result of the education received by the Vung Tau respondents. Future research might address the entrepreneurial spirit among vendors in other parts of Vietnam.

Generally, vendors sold basic products, often foodstuffs and sought to locate themselves in places close to their customers: one sticky rice seller concentrated on selling breakfast to schoolchildren and therefore waited outside the school gates. Another respondent sold fruit and cigarettes outside a factory where he was previously a full-time employee and where people knew him. Even when products were sourced from other provinces, the logistical establishment appeared to be fairly straightforward. Customers were approached with goods and vendors would attempt to persuade them to buy on the basis of convenience and, in some cases, discounts for loyal customers. The most common problem faced for vendors in this category involved excess of stock (especially fruit) at the end of the day. This indicates that the vendors concerned were part of the old generation

of vendors who are generally content to remain in their existing position on a permanent basis. Few of these respondents admitted (or claimed) to earning profits of more than 50,000 VND per day, which is the equivalent of less than US\$3 and close to the internationally recognised poverty line of US\$2 per day. Since at least some of the goods being traded are seasonal in nature, then there is additional threat of falling below the poverty line in out of season periods, unless suitable alternatives can be identified and sourced.

Respondents reported little in the way of interference by or interaction with external agents in performing their business. This ranges from a general lack of awareness of any need to register their business with authorities through to a low level of complaints about harassments or mafia-style activities. The Vietnamese legal system has been changed from one based on Communist ideology to one based on the market and has also been required to cope with national and local levels of enforcement. It is understood that some imprecision still exists with the ways that certain economic activities are governed and, in any case, it would not be surprising if street vendors were aware of all the changes that had been brought about when large companies experienced difficulties with keeping up with new and modified regulations on a very regular basis. The very low level of reported criminal activities preying on the street vendors may be a result of the social solidarity inherent within street vendor communities, which a number of respondents claimed were peopled by relatives or adopted relatives. Alternatively, it may also be a result of the researcher not having been able to claim their trust and, hence, admission of a problem larger than has been reported. It is certainly true that mafia-style activities have occurred elsewhere in the region and that Vietnam has been suffering from a culture of corruption (e.g. Tan, 2007). In any case, most respondents simply pitched up where they were accustomed to selling their products and commenced operations until they were ready to stop. This might appear convenient to vendors but acts to suppress services to vendors, taxes and quality of service to customers. Expansion of the role of the state in this respect would be likely to benefit all those involved, although there will be problems too.

Few vendors had much interaction with tourists and it appears from inspection that most international tourists, perhaps from concerns about hygiene or quality, prefer to spend their money in air conditioned and modern retail establishments catering for them. They miss, therefore, some of the atmosphere of a visit to Southeast Asia. A compromise between sanitizing the experience of street vending altogether and leaving it as something which tourists hesitate to experience must surely be possible. Tour guides and similar individuals might be used to encourage tourists to patronize suitably screened vendors and this would encourage others to improve the quality of their services too (although there will also be incentives to undesirable behaviour as well, which will need to be policed appropriately).

# 6. Discussion of Findings

If there are successful routes by which street vendors may find their ways into permanent employment, then those who had already done so would not be revealed by the methodology employed here. However, there should be some evidence of certain vendors improving their positions with a view to converting their existing businesses into a more permanent position with a fixed location. That there is little or no evidence of this sort may be dismissed as a feature of the research or, alternatively, as an indication that there is no progression of vendors in this regard active in Vung Tau.

One implication of the low level of interaction with the local authorities is that the vendors had little conception of any form of social contract between the vendors and the authorities. Vendors were quite sanguine about the freedom they felt in their lives and the fact that they did not pay any taxes or meet any other requirements. If the authorities wish to make policies to improve the situation of the street vendors and enable them to move further from the threat of poverty, then there is a need to introduce to the vendors the concept that authorities can provide facilities and resources which may enable them to become more profitable and to have more sustainable operations and, while that demands some obligations in return, this is nevertheless a win-win situation for both sides. Achieving this would be quite a large task in that it requires a quite different attitude by many governmental officials than has been required of them in the past. Intermediaries from NGOs might have a useful role in this case.

Currently, it would be difficult to justify the level of investment that would be required to create any kind of large-scale facility for street vendors, providing water and electricity supplies in return for a regular fee. Monitoring of the numbers of visitors coming to Vung Tau and some continued research into the nature of street vending businesses and, indeed, the retail sector as a whole should help the local authorities to determine when such an investment might become justified. In any case, the planning for the future should aim to preserve the close relationships between vendors and customers, since these appear to be valued to some extent by both parties and, also, because it would help retain the street vending interaction as the vibrant and memorable

experience that can improve the tourist experience. As the retail sector in Vung Tau continues to develop, it is likely that larger shops, particularly multiple chain retailers, will take a larger portion of trade overall. Street vendors will only be able to survive as a viable operators if they are able to offer some kind of competitive advantage in a changing environment. It will be very difficult for them to do this if they lack the education and training to understand these market dynamics and perhaps some advice concerning switching to the marketing of alternative goods or services.

The findings overall tend towards the understanding of the informal sector articulated by Davis (2007), in which existing niche opportunities disappear as new capital formation captures market demand. The existing vendors find themselves competing for decreasing income and their prospects dim. There are, it must be presumed, mechanisms by which the displaced vendors enter the expanded labour market without this being an intrinsic quality of their business development. However, the creation and operation of these mechanisms remains obscure. In other words, street vendors may find permanent jobs but not because of their own efforts but because, in the case of Vung Tau, the economy is growing. More research is required to explore this issue further.

From the perspective of market development, it is apparent that the informal economy of Vung Tau is not yet linked coherently with markets that are regional or further afield. The local economy remains dominant, although there is clearly scope for its expansion in terms of scope and sophistication. Since economic areas require some measure of business infrastructure to develop value adding activities (e.g. market research and consultancy, legal services, design and advertising), there is a need for a critical mass of vibrant businesses to justify the creation of such infrastructure. As things stand, there are few dynamic forces driving the creation of such sectors.

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