Article:
Navarrete-Hernández, P. orcid.org/0000-0002-3036-7861, Alford, M. and Toro, F. (2023) Inclusive informal-to-informal trade: the poverty alleviation potential of street vendors' trade networks in Santiago de Chile. Third World Quarterly, 44 (8). pp. 1844-1864. ISSN: 0143-6597

https://doi.org/10.1080/01436597.2023.2208060

Routledge
Taylor & Francis Group

Third World Quarterly

ISSN: 0143-6597 (Print) 1360-2241 (Online) Journal homepage: www.tandfonline.com/journals/ctwq20

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To cite this article: Pablo Navarrete-Hernández, Matthew Alford & Fernando Toro (2023) Inclusive informal-to-informal trade: the poverty alleviation potential of street vendors' trade networks in Santiago de Chile, Third World Quarterly, 44:8, 1844-1864, DOI: 10.1080/01436597.2023.2208060

To link to this article: https://doi.org/10.1080/01436597.2023.2208060

Published online: 22 May 2023.

THIRD WORLD QUARTERLY
2023, VOL. 44, NO. 8, 1844–1864
https://doi.org/10.1080/01436597.2023.2208060

Inclusive informal-to-informal trade: the poverty alleviation potential of street vendors' trade networks in Santiago de Chile

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ABSTRACT

The economic inclusion benefits of trade integration between formal and informal markets constitute an increasingly important debate in development studies, especially regarding poverty reduction. Recent international development efforts focus on strengthening informal-to-formal (I2F) links as a win-win developmental strategy to eradicate poverty, while building upon informal-to-informal (I2I) trade relations are seen to preserve poverty. Nevertheless, research comparing these approaches is scarce. This article compares street market vendors' integration into I2F and I2I trading links, assessing their associated economic benefits and market power dynamics. Using mixed methods, we empirically test theoretical hypotheses on a representative sample of Santiago de Chile's street market vendors and follow the trade networks of branded and unbranded street market products through 50 in-depth interviews. The results suggest that street vendors' I2I trade can constitute a highly specialised, structured and nationwide trade network that can rival the poverty alleviation potential of I2F trade networks. Compared with I2F trade links, I2I networks reduce opportunities for exploitation and allow street vendors to obtain higher income. Consequently, building a more robust articulation of street vendors and informal firms into trade networks merits more attention in development studies as a potential alternative to I2F strategies when fostering street vendors' economic inclusion.

ARTICLE HISTORY
Received 8 February 2022
Accepted 21 April 2023

KEYWORDS
Inclusive economy
informal linkages
poverty
street vendors

Introduction

The informal economy (IE) contributes to 40 per cent of the world's GDP and provides two-thirds of global employment (Schneider, Buehn, and Montenegro 2010; ILO 2018). Global trends show that the IE is stabilising in Africa and expanding in Asia and Latin America (Jütting and de Laiglesia 2009), and remains the largest provider of jobs globally and principal

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income source for society's most vulnerable people. As globalisation and technological change reinforce processes of deindustrialisation, jobless growth and unemployment, the question of how informal workers can be included in global and national growth strategies has become central to development policy debates (Meagher 2021). Furthermore, the worldwide promotion of Sustainable Development Goal 1 (SDG-1) of ending poverty by 2030 requires strategies to increase the economic return of those working within the IE.

Recognition that the IE is 'here to stay' (Chen, Vanek, and Carr 2004, 3) has prompted international development efforts to alleviate poverty through policies ranging from eradicating informality to enhancing informal enterprises' productivity and income levels (Nguyen and Nordman 2018). Accordingly, international development agencies have strengthened informal entrepreneurs' trade links with formal firms as an inclusive economic strategy aimed at increasing demand and capital transfer, whilst expanding market reach (Meagher 2013). However, non-governmental organisation such as Women in Informal Employment: Globalising and Organising (WIEGO) and structuralist scholars (Dolan and Scott 2009) raise concerns about the potential for 'adverse incorporation' of informal entrepreneurs, who are at risk of increased exploitation due to diminished bargaining power (Meagher and Lindell 2013). Certain international agencies and local governments therefore promote alternative inclusion strategies that reinforce localised informal-to-informal trade networks to simultaneously alleviate poverty and reduce exploitation (FAO 2003; Navarrete-Hernández 2017).

Scholarly debates over the economic inclusiveness of informal-to-informal (I2I) and informal-to-formal (I2F) trade structures have long been central to IE debates. Over the past century, much focus has been on I2I trade links, with dualist and legalist researchers arguing that they fundamentally preserve poverty (Tokman 1978; Williams and Lansky 2013). Structuralist scholars first discussed I2F trade links, determining that uneven market power underpinning the relationship between informal and formal economies is inherently exploitative (Moser 1978; Portes, Castells, and Benton 1989), and more recently by modernising--Informal Sector and Bottom of the Pyramid (V_M-BOP) scholars, arguing that I2F trade represents a win-win developmental opportunity, with formal firms seeing reduced distribution costs and market expansion and informal entrepreneurs gaining access to job security, higher wages, stable demand and capitalisation (London and Hart 2010; Prahalad 2004a; Ranis and Stewart 1999). These theoretical debates have been reproduced to analyse specific informal sub-sectors, from waste pickers to home-based enterprises (Chen, Roever, and Skinner 2016; Navarrete-Hernández 2017). However, few empirical studies have simultaneously analysed the merits of such divergent conceptions of I2F and I2I trade in the context of concrete field cases. Our aim here is to analyse the poverty alleviation potential of these two trade network types through the specific case of street vendors in Santiago de Chile.

Specifically, we use an Exploratory Sequential Design strategy to empirically examine the capacity of each approach to increase economic inclusion of street vendors – i.e. to raise income levels of this vulnerable group. We first use qualitative methods to map street vendors' networks and conduct interviews exploring informal firms' capacity to negotiate prices with sellers. We then conduct a regression analysis of a representative survey of street vendors in Santiago, by empirically testing the poverty alleviation capacity of I2F and I2I trade structures. Our key findings highlight the capacity of both structures to reduce street vendors' poverty, while underlining the potential of I2I trade to equalise market power, and therefore prevent exploitation from larger formal firms.

The article is organised as follows: section two presents the study's theoretical framing, analysing the competing conceptions of I2I and I2F trade linkages; section three describes the mixed methodology and data sources used; section four presents the results, first providing a quantitative assessment of street vendors' economic outcomes within the two trade linkage types, and then a qualitative analysis mapping street vendors' trading networks and discussing the power relationships in each case; the fifth section concludes by discussing the study's theoretical and policy implications.

Theoretical framework: a discussion on formal and informal trade links and poverty

Growth and poverty in the informal economy

Hart (1973) and the International Labour Organisation (ILO) (1972) first saw the informal sector as a transitory phenomenon in developing countries that would ultimately disappear with the expansion of a modern economy. Since then, several theories have been advanced and a wide variety of policies implemented globally to tackle informality. However, over 50 years later, with a global Gross Domestic Product (GDP) that has multiplied more than 20 times over (Roser 2016), informal work still plays a significant role in wealth generation (ILO 2002). The IE provides the largest source of global employment, being particularly prominent in developing countries and for people lacking formal education and with low employability potential in the formal sector (Chen, Roever, and Skinner 2016). According to OECD data, over two billion people are in informal work worldwide, which includes 900 million in non-agricultural employment. In Latin America, half of all non-agricultural employment is informal (Jütting and de Laiglesia 2009, 1), and the IE constitutes an average of 41 per cent of total national GDP (Schneider, Buehn, and Montenegro 2010, 31; see also Thomas 1995).

Despite its relevance for wealth and employment generation, in policy arenas the IE has traditionally been conceived as an impediment to poverty eradication. Commonly described as having low productivity, low wages and poor-working conditions, it has been seen as perpetuating the poverty cycle (Chen, Roever, and Skinner 2016). Moreover, the lack of compliance with labour regulations is seen as a major hurdle, preserving low-paid, low-quality work standards. As Webster et al. (2016) argue, informal workers exist outside the scope of national laws and regulations, including minimum wages (see also European Commission 2009). Several academics and international institutions (Jütting and de Laiglesia 2009; World Bank 2011) have long considered the IEs very existence as countering economic growth and poverty alleviation, advocating its elimination through a combination of economic liberalisation policies and the repression of informal enterprises (Maloney 2004).

Despite such efforts, the IE is recognised as an enduring and economically important phenomenon. Given the destruction of formal employment caused by the COVID-19 pandemic, we may reasonably predict a push of entrepreneurs by necessity into the IE. While some scholars still promote poverty alleviation through 'carrot' policies for the formal economy (encouraging growth) and 'sticks' for the IE (Maloney 2004), others increasingly endorse harnessing the IE as part of a wider development strategy, either by reconsidering the boundaries of what constitutes formality to include informal entrepreneurs as beneficiaries of modern capitalism (De Soto 1989), or by supporting the IE to provide much-needed services (Joshi and Moore 2004; Navarrete-Hernandez and Navarrete-Hernandez 2018). Regardless

of the strategy adopted, what remains clear is that attaining SDG-1 by 2030 requires a significant improvement of the material conditions of those operating within the IE.

A more proactive line of scholarship has argued that poverty alleviation must be promoted *within* the IE itself, and that this is in fact necessary in the current climate of increasing informality throughout developing countries (Chen, Vanek, and Carr 2004; Jütting and de Laiglesia 2009). International organisations such as the ILO (2008), the European Commission (2009) and UNDP (2008) are moving in this direction, but their initiatives are divergent and policies incoherent (Burchell et al. 2014).

Informal trade networks: schools of thought and policy implications

For half a century, scholars have debated whether informal enterprises' trade links represent a source of exploitation, or a means to escape poverty (Meagher 2013). Whilst different informal linkage strategies have been discussed, four distinct theoretical categories have emerged. The tendency to separate formal and informal economies dichotomously is most pronounced in dualist and legalist perspectives. Structuralists, in contrast, view the IE as integrated into the formal economy, albeit on exploitative terms (Anyidoho and Steel 2016). These discourses have been used to analyse specific informal sectors ranging from waste pickers (Navarrete-Hernandez and Navarrete-Hernandez 2018), street vendors (Cross 1998) and home-based enterprises (Tipple 2005). A fourth and more recent conceptual development are the 'V-sector' and 'Bottom of the Pyramid' (V_M-BoP) approaches, which recognise the close integration of informal and formal trade links and see this as mutually beneficial (Ranis and Stewart 1999; Prahalad 2004b).

Informal-to-informal trade links

Informality was originally conceived as distinct from the formal economy, resulting from unemployment and lack of economic growth. The origins of 'dualist' theory trace back to Boeke (1942), Lewis (1954) and Harris and Todaro (1970) economic vision of two economies operating concurrently and separately within the same space: a market economy, characterised by intensive capital exploitation and technological advancement; and an outside economy, involving intensive use of labour and more primitive technology. This follows a 'modern jobs gap' theory, where people are pushed into informality as they're unable to access 'decent' formal employment (Klein and Tokman 1988). Despite the contemporary obsolescence of dualist thinking in academic circles (Chen, Vanek, and Carr 2004, 16), such discourse is reflected in policy rhetoric calling for national economic restructuring to attract lead-firm investment for formal job creation and expansion of the formal sector (World Bank 2011).

During the 1990s, the legalist school similarly conceived the IE as separate from the formal economy, but argued this was due to a 'mercantilist legal system' working to maintain privileges for elite formal enterprises and exclude poor entrepreneurs (De Soto 1989). Informal entrepreneurs are thought to face excessively high costs and time-consuming demands to register their enterprises formally, thus excluding them from formal market access (Williams and Lansky 2013). Instead, informal enterprises are forced to trade among themselves, and thus remain precarious and unable to secure legal contracts, financial stability and access to credit and capital investment (De Soto 2000). Legalisation is therefore seen as a precondition

for unleashing informal entrepreneurs' development potential and alleviating poverty in what is termed a 'trickle-up effect' (De Soto 1989).

Dualists have portrayed the more specific informal activity of street vending as a buffer response to economic crises and/or a lack of available formal employment (Hart 1973; Roever and Skinner 2016), while legalists view it as an integral part of a neoliberal vision of the IE, albeit one that is awaiting formalisation. Both perspectives therefore hold central the idea that I2I trade links constitute limited productivity, and their exclusion from a formal market economy exacerbates poverty. This rather unanimous conclusion is one of the key reasons that studies of I2I trade links have fallen out of favour in the twenty-first century.

Informal-to-formal trade links

Structuralists, in contrast, conceptualise informality as an integral part of the (formal) capitalist productive system, albeit through a relationship of exploitative subordination as opposed to empowering (Meagher 2013; Williams and Lansky 2013). In a globalised context, formal enterprises remain competitive by outsourcing production to informal firms in developing countries *via* a process of international 'labour market segmentation' (Portes, Castells, and Benton 1989). Formal firms are thought to extract profit from labour exploitation *via* two distinctive structural linkages: forward and backwards (Thomas 1995). Forward linkages refer to large, formal firms subcontracting production to local informal enterprises, allowing them to decrease prices and maintain product standards (Birkbeck 1978). Backward linkages involve the distribution and commercialisation of formal products through informal networks of self-entrepreneurs, with street vendors being a primary example. Several authors have criticised the potential for these linkages to become a main source of income for street vendors, with no guarantee of improved working conditions, incomes or product quality to reflect expanding corporate profits (Nadvi 2004; Ruthven 2010; Siggel 2010). Here, exploitation occurs through transferring the costs and risk of commercialisation to poor-informal entrepreneurs (see also Dolan and Scott 2009). Structuralists therefore see this I2F link as a form of 'adverse incorporation', serving to strengthen the hand of the dominant class and weaken labour organisations (Portes, Castells, and Benton 1989, 300). Poverty-reduction potential is limited, as underdevelopment and 'backwardness' are essential conditions for sustaining large, formal companies' extraction of surplus value.

Recent theoretical developments and policy approaches maintain that I2F trade links are synergic to boosting formal firms' profit and enhancing economic benefits for informal entrepreneurs, in what we term 'V_M-BoP' theory (London and Hart 2010; Prahalad 2004a; Ranis and Stewart 1999). Ranis and Stewart (1999) analyse forward I2F linkages, distinguishing between two informal economic sectors: 'traditional' V_T (low in capital and labour productivity, small in size and technology) and 'modernising' V_M (larger, more dynamic and often linked to the formal economy). The authors propose that rapid expansion of the formal sector would facilitate concurrent expansion in the V_M sector, reducing the V_T sector and increasing overall productivity/wages in the IE. The process of formal firms subcontracting to informal firms would allow stable demand and capital transfer, therefore creating a synergic mechanism that facilitates productivity, technological upgrading and access to economies of scale (Bohme and Thiele 2012). According to the Bottom of the Pyramid (BoP) theory, selling and distributing formal products allows informal enterprises to diversify products and widen their consumer base, resulting in higher incomes (Prahalad 2004a; London and Hart 2010).

Several BoP initiatives and theoretical developments have focussed on streets vendors' integration into formal trading networks with large multinational companies such as Avon or Unilever. Here, strategies such as micro-packing are seen as a triple-win: street vendors expand their product range with more desirable products; industries widen market access; and consumers access higher-quality products (Cross and Street 2009). Such a perspective has gained momentum among multi-lateral organisations including the World Bank and OECD, who strongly encourage inclusion of informal entrepreneurs into trading partnerships with formal enterprises (Cross and Street 2009; OECD 2011).

Applying theory to a case study

Case studies of informal enterprises, particularly street vendors, have been key to sustaining, refuting and expanding theoretical propositions and scrutinising its predictive power, including the IE's capacity to scale, diversify and take collective action (see Rosaldo 2021 for a partial summary). However, less empirical research has focussed on understanding how street vendors' actions and trade networks contribute to poverty reduction. While the concepts underpinning predictions of the competing theories have been widely debated in scholarly literature (see Table 1), a study systematically comparing I2I and I2F trading and their capacity to alleviate poverty, would contribute a comparative understanding of their concrete real-world outcomes. We therefore empirically test the explanatory power of theory by analysing street vendors in Santiago de Chile.

However, one must consider the most appropriate method to measure poverty. Approaches have shifted from one-dimensional monetary analyses accounting for absolute or relative poverty, towards a multidimensional rationality[1] that aims to offer a more complex and diverse comprehension of deprivation (Sen 1999). This includes efforts to better capture the overall wellbeing of low-income populations, incorporating factors such as health,

Table 1. Informal trade links and four competitive interpretations.

School of thought	Authors	Trade Link	Mechanism	Expected Outcome
Dualist	Boeke (1942) Lewis (1954) Harris and Todaro (1970) ILO (1972)	Informal-to-Informal	Low capital, low productivity of firms results in low-income levels	Proverty Preservation
Legalist	De Soto (1989,2000)	Informal-to-Informal	Exclusion of informal entrepreneurs from formal market opportunities	Poverty Preservation
Structuturalist	Moser (1978) Portes, Castells, and Benton (1989) Karnani (2007) Phillips	Informal-to-Formal	Exploitation of informal firms through market power mechanisms	Poverty Preservation
V-Sector & Bottom of the Pyramid	Ranis and Stewart (1999) Prahalad (2004a) London and Hart (2010)	Informal-to-Formal	Capital transfer, stable demand to informal enterprises	Poverty reduction

Adapted from Chen, Vanek, and Carr (2004), and authors' classifications.

Note: Adapted from Chen, Vanek, and Carr (2004). We have excluded voluntarist and co-production schools of thought as they do not directly address informal trade links and predict poverty-alleviation outcomes. We include the VM-BoP theories as they explicitly address informal trade, and have merged them as a single conceptualisation as their rationality and predicted outcomes are similar.

education and social protection. Furthermore, while multilateral agencies and national governments have drawn mostly from quantitative indicators, recent theoretical developments use relational lenses to understand how power relations shape poverty (Mosse 2010). These relational approaches move beyond material conditions, emphasising the relevance of not only individual effort and public policy, but also the interaction, interest and power imbalances among different actors – such as informal workers, formal businesses, and the state – with competing interests (see for example Roy 2010; Bateman 2010). However, measuring these relational and multifaceted social factors remains problematic, and so we have opted here to focus on measures of absolute poverty (defined using the poverty line and minimum wage), with our results serving as a starting point for subsequent relational and multifactorial analysis, whilst providing comparable indicators to contextualise our findings.

Stemming from our theoretical discussion, we can predict the following outcomes (see Figure 1): (1) if dualist and legalist hypotheses are correct, street vendors using I2I trading networks should see profit margins below or marginally above the poverty level, attributable either to trading low-quality products *or* enterprises' exclusion from formal markets; (2) if structuralist hypotheses are correct, street vendors using I2F trading networks should be victims of value extraction, resulting in poverty-preserving incomes; (3) if V_M-BoP hypotheses are correct, street vendors trading in formally produced products should obtain incomes above the poverty level; (4) finally, if no expected outcomes are realised, then expansions to existing theory are required.

Data and methodology

This study uses a mixed method analysis – qualitative and then quantitative – to gain a more complete understanding of the poverty alleviation potential of engagement in I2I and I2F trade links. Integrating different methods, we aim to incorporate 'multiple ways of seeing… hearing [and] making sense of the social world' (Greene 2007, 20). In this Exploratory Sequential Design strategy (Creswell and Plano-Clark 2011, 68), we first explore power dynamics and mechanisms underpinning street vendors' trade engagement with other formal or informal enterprises (Greene, Caracelli, and Graham 1989). We then define and test hypotheses based on existing theories using the population of Santiago street vendors.

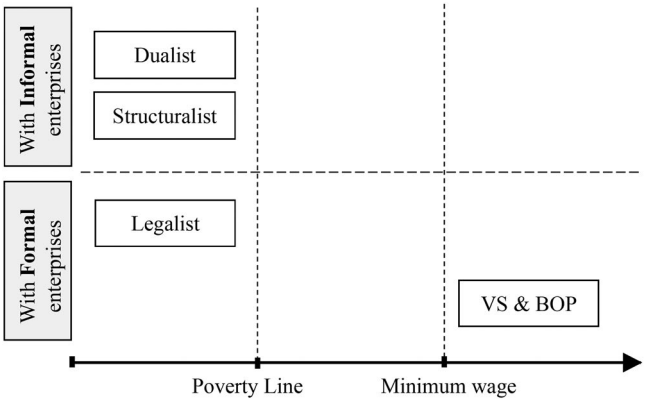

Figure 1. Predicted income from trade links.

Qualitative analysis

Qualitative methods provide 'on-the-ground' insights into street vendors' incorporation into, and capacity to capture value within, I2I and I2F links. First, we conduct an in-depth mapping of street vendors' links, analysing the full range of firms that deliver a specific product from producer to final consumer. A criterion-purposive sampling of firms and self-entrepreneurs is used to represent the diversity of street vendors trading in these networks. From this, a network approach is used to map backwards to the producer the whole set of informal and formal firms trading with a particular street vendor. We interviewed sellers and buyers at each transaction node, conducting a total of 50 semi-structured interviews with street vendors, middlemen and informal and formal producers. These interviews focus on profit margins and market power to negotiate trading conditions.

A hybrid deductive and inductive approach was implemented. First, a 'theory-driven codebook' was built, containing the main interpretations of existing IE theories. We then created theory-driven labels, defining them and describing potential interpretations of data that fit within a given label. Following Fereday and Muir-Cochrane (2006), we conducted reliability checks on a sample by first applying the labels to a portion of the data and including any missing theory-driven label. From this, we obtained a theory codebook that was applied to the remaining data. Second, the remaining data were coded to incorporate emerging themes and mechanisms to build a 'data-driven codebook'. This data-driven analysis is the main source of our findings regarding the organisation, rationality and mechanism operating in street vendors' I2I trade networks. From this exercise a complete codebook was built covering existing theory and 'from-the-field' explanations of mechanisms through which street vendors' links might impact poverty outcomes.

Quantitative analysis

The purpose of our quantitative analysis was to test the relevance of existing theories. Street market vendors in Santiago constitute an ideal case for exploring I2I and I2F trade links, as they are required to complete a municipal registration process to obtain a place in weekly street markets, however they preserve most of the characteristics of informal enterprises: paying no national taxes or VAT, not being legally constituted, and not following national regulations. When registering, vendors must decide in advance what product type they will sell, with predefined categories that closely map formally and informally produced products. This selection is then enforced by local inspectors. The registry therefore reveals whether a given vendor trades within I2F or I2I networks, and provides a sample framework to build a representative survey.

Given the lack of detailed official data on street vendors (Smith and Metzger 1998), primary data collection was required. Municipal registries of street vendors were obtained for the 35 urban municipalities in Santiago de Chile, from which a representative stratified random sample was selected, with a total of 406 in-person surveys with street vendors conducted in 2015. This survey constitutes the primary source of quantitative data. We perform two types of quantitative analysis: descriptive statistics using weighting factors to ensure representativeness, and Ordinary Least Square (OLS) regressions. We run linear regressions to compare street vendors' income from trading with other informal or formal firms. Here, we observed whether systematic differences in income exist between I2I and I2F links after controlling for relevant endogenous covariates.[2] For this, we performed OLS

regressions between incomes across these two linkage types, controlling for 27 covariates as alternative hypotheses to explain income differences between vendors. These include individual, enterprise, street market, neighbourhood, municipal, and local policy environment characteristics (a list of independent and dependent variables is contained in Table 2). For this we use the following equation:

$$Y(\text{Income}) = \beta 1 + \beta 1 \mathit{TradeNetwork} + \beta 2\ \mathit{Individual} + \beta 2\ \mathit{Enteprise} + \beta 3\ \mathit{StreetMarket} + \beta 3\ \mathit{Neighbourhood} + \beta 4\ \mathit{Municipality} + \beta 5\ \mathrm{P}\mathit{olicyEnvironment} + e\ \mathrm{v} \quad (1)$$

where: Y is the monthly income declared by a street vendor; *TradeNetwork* is a dummy variable equal to 1 if the *i*th street vendor's primary trade is with informal firms, and 0 if formal firms; β_1 is the central coefficient of interest capturing the impact of trading with informal and formal firms*; Individual*, *Enterprise*, *Neighbourhood*, *Municipality* and *PolicyEnvironment* contain 27 relevant control variables regarding the environment in which an *i*th street vendor operates; and *e* is the error term.

Ferias libres in Santiago de Chile: a case study

Santiago is the most populous region in Chile, with a total of 78,715 street vendor microenterprise owners (65% of the national total) generating 85,569 jobs (Navarrete-Hernández 2017). The vast majority employ fewer than 5 workers (98.85%) and have owners with low education levels (96.04% secondary education or lower). Among the diversity of street vendors operating in Santiago (fixed versus ambulant, with and without municipal permits), the largest group are termed *feriantes* -- the focus of our study. *Feriantes* are fixed-location vendors operating with a precarious municipal permit[3] selling in street markets known as *ferias libres*. Street market regulation is determined at the municipal level and covers factors such as location, working hours, stall size and permitted product types. These conditions are checked by municipal inspectors every market day, with the threat of fines driving compliance. There are a total of 455 *ferias libres* and 42,203 *feriantes* working in Santiago (63.45% of the national total) (ASOF 2013; Sercotec 2016), with the majority located in lower-income municipalities, offering an important retail alternative for local populations. Santiago also possesses three large, privatised farming distribution hubs where street vendors often acquire horticultural products.

Results

This section is divided into two parts. First, we test different theoretical predictions regarding street vendors' incomes across I2I versus I2F links. Second, we discuss the potential mechanisms behind the results (e.g. network trading structure, market power distribution, economic developmental potential).

Exploratory analysis: higher income through I2I trading

Street vendors receive products *via* three types of trade links: I2I, I2F and mixed (see Table 3). Three out of five of street vendors operate in entirely separate I2I links, while close to two-fifths operate as an integral component of formal enterprises' distribution and sales

Table 2. Variables used in the regression analysis (independent and dependent variables).

	Variables	Description
Y	**Outcome variable**	
0	Monthly income	Income per month of a street market vendor
β1	**Main variable**	
1	Type of value	Type of product sold by a street market vendor
β2	**Individual controls**	
2	Gender	Male or Female
3	Age	Number of years
4	Nationality	Chilean or not Chilean
5	Experience	Number of years working as a street market vendor
6	Education	None, primary, secondary, tertiary
7	Work week	Number of hours worked in a week
β3	**Enterprise Controls**	
8	Stall equipment	Below standard, standard, above standard
9	Stall size	Average stall size that a person owns
10	Number of stalls	Number of selling stalls that a person owns
11	Patent hours	Number of working hours that a municipal permit allows
12	Type of vehicle	None, human traction, animal traction, motorised small, motorised large
13	Machinery	Quantity of specialised machinery used in the selling stall
14	Work clothing	People at the stall who have or don't have a uniform
β4	**Street Market Controls**	
15	Internal competition	Number of street market vendors working in the street market
16	Electrical equipment	The street market's access to electricity, or not.
17	Water equipment	The street market's access to running drinkable water, or not.
18	Common roof	The street market possesses a permanent and common roof to cover stalls, or does not.
19	Playground	The street market possesses equipment for children to play, or does not.
20	Green space	The street market possesses green spaces, or does not.
21	Parking space	Cars of clients parked in the street, in the street medians and islands, in a designated paid parking space
22	Toilet access	None, chemical, consolidated
β5	**Neighbourhood Controls**	
23	Main avenue	Number of blocks from a main avenue
24	Metro station	Number of blocks from a metro station
25	Formal retail	Number of blocks from a large-scale formal retailer
β6	**Municipal Controls**	
26	Municipal budget	Chilean pesos of municipal budget per inhabitant
27	Local wealth	Average inhabitant income in the municipal area
28	Municipal poverty	Municipal poverty rate

networks. A marginal number of street vendors trade with both formal and informal firms. This division largely results from street vendors' own definition of their products when obtaining a municipal permit, which they are unable to subsequently change. Therefore, the products they trade do not reflect market equilibrium conditions, with street vendors unable to freely shift product types to match fluctuating profit and demand. Since deciding product types is largely uninformed, made early on and unchangeable, this stability helps to explore long-term income differences and mechanisms between distinct I2I and I2F linkages.

Table 3. Street vendors' varying types of trade links.

Relationship with the formal economy	Theoretical framework	N	Estimated population	Percentage
A. Informal value chain (primary products)	Dualist-Legalist	231	15,564	58.7%
B. Formal value chain (elaborate products)	Neoliberal-structuralist	154	10,408	39.3%
C. Mixed markets (elaborate and primary products)	None	8*	542	2.0%

Table 4. Monthly profits of street vendors trading in I2I and I2F links.

	Formal-to-Informal Links	Informal-to-Formal Links
Mean	964.82 USD	1,390.10 USD
Standard deviation	(-86.71)	(91,67)
95% Confidence interval	794.33-1135.32	1216.85-1577.35
T-Test (minimum wage)	$p < 0.0001$	$p < 0.0001$
T-test (poverty line)	$p < 0.0001$	$p < 0.0001$
T-test (F2I VS I2I)		+427.99***

Source: Author survey. Statistics use total weights (design, non-response and post-stratification).
Note 1: Chilean pesos converted to US Dollars on the 12-04-2018.
Note 2: Minimum salary in December 2015 = 399.23 USD (241,000 CLP).
Note 3: 2015 Poverty line for an average Chilean household of 4.43 people = 610.26 USD (368,389 CLP).
Note 4: *** p -values < 0.1.

We first conduct an analysis of variance, testing equality of means, followed by multiple comparisons of income differences between street vendors trading in I2I versus I2F networks. Results are presented in Table 4. Several implications can be extracted. Regarding poverty levels and minimum wages, both I2I and I2F trade links offer street vendors – a vulnerable population with low education levels – a way out of poverty (>565 USD) and income levels above the equivalent minimum wage offered in formal employment (>596 USD). Comparing the two linkage types, results show significant differences of 400 USD/month in favour of street vendors using I2I trade links. Overall, this analysis suggests that both networks are economically competitive compared to formal employment, but that I2I trade structures yield higher-income levels.

We conduct a regression analysis to control for the 27 potential confounding variables outlined above as alternative explanations for the observed income differences. Table 5 presents the results of incorporating these categories one by one. We observe that from model 1 to model 7, the combined effect of controls reduces the difference in income between the two trading structures by around 100 USD. Particularly relevant here are the enterprise and municipal characteristics, underlining the relevance of differences in capital endowment and local wealth in determining street vendors' income. Importantly, while these factors explain some of the disparities observed across the two groups, income differences remain large and strongly significant after controlling for these variables, with a difference of around 328 USD per month (a 34.4% income gap). This reinforces our conclusion that while I2I and I2F links both offer potential routes for poverty alleviation, the former provides higher income levels.

Explanatory analysis: street vendors' trade structure, market power and exploitation

Street vendors' integration into I2F links

As structuralist and V_M-BoP theories predict, a large group of street vendors comprise the end selling point of formally produced goods through vertical integration. Branded products

Table 5. Differences of street vendors' income trading in I2I and I2F links.

	1	2	3	4	5	6	7
VARIABLES	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Base line (F2I link)							
I2I link	427.99***	418.75***	376.07**	349.18**	307.70**	303.34**	328.35**
	(124.91)	(133.55)	(149.83)	(146.63)	(151.13)	(153.36)	(152.30)
Controls							
Individual characteristics (7 variables)	No	Yes	Yes	Yes	Yes	Yes	Yes
Enterprise characteristics (6 variables)	No	No	Yes	Yes	Yes	Yes	Yes
Street market characteristics (6 variable)	No	No	No	Yes	Yes	Yes	Yes
Neighbourhood characteristics (3 variables)	No	No	No	No	Yes	Yes	Yes
Municipal characteristics (3 variables)	No	No	No	No	No	Yes	Yes
Policy environment (3 variables)	No	No	No	No	No	No	Yes
Constant	955.26***	1022.97***	646.81**	862.51	1747.67*	2681.97**	2685.29**
	(85.79)	(266.76)	(272.33)	(1010.77)	(959.19)	(1128.58)	(1093.73)
Observations	363	359	338	337	329	329	329
R-squared	0.028	0.057	0.132	0.152	0.180	0.189	0.199

Robust standard errors in parentheses.
***$p < 0.01$.
**$p < 0.05$.
*$p < 0.1$.
Note 1: Value converted from Chilean pesos into US dollars on the 12-04-2018.

traded in street markets are mainly elaborated products manufactured by large formal enterprises in Chile, such as Carozzi or Confort, or international companies such as Procter and Gamble and L'Oréal, reflecting the integration of street vendors into larger national and global value chains (summarised in Figure 2). The most common examples of formal products traded by street vendors are dairy, cleaning and other home products, toys and mobile phone accessories.

Street vendors' I2F links are highly structured from producer to final consumer. The connection between street vendors and national and international manufacturers is articulated through a large network of spatially distributed intermediaries known as *distribuidoras*, who purchase large product volumes from national and international manufacturers at wholesale prices and sell locally to *feriantes* in lower quantities and higher prices per unit.

The trading network is structured with firms downstream seeing decreasing levels of capital endowment and increasing levels of informality. The capital necessary for production, storage and large-quantity purchases has seen just a few large formal enterprises able to produce elaborated products to sell to a handful of national *distribuidoras*, who then sell to hundreds of regional and local *distribuidoras*, who finally sell to tens of thousands of street vendors.

Market power imbalance in I2F trade links

A small number of sellers trading with many buyers across the I2F network generate an unbalanced market power dynamic, where sellers can set prices, and market power diminishes downstream as the buyer to seller ratio grows. When purchasing from domestic or international manufacturers, national *distribuidoras* face high levels of competition from large retail companies, and their firm's size (market share and financial capital) restricts their bargaining power, rendering them price-takers. Regional and local *distribuidoras* across

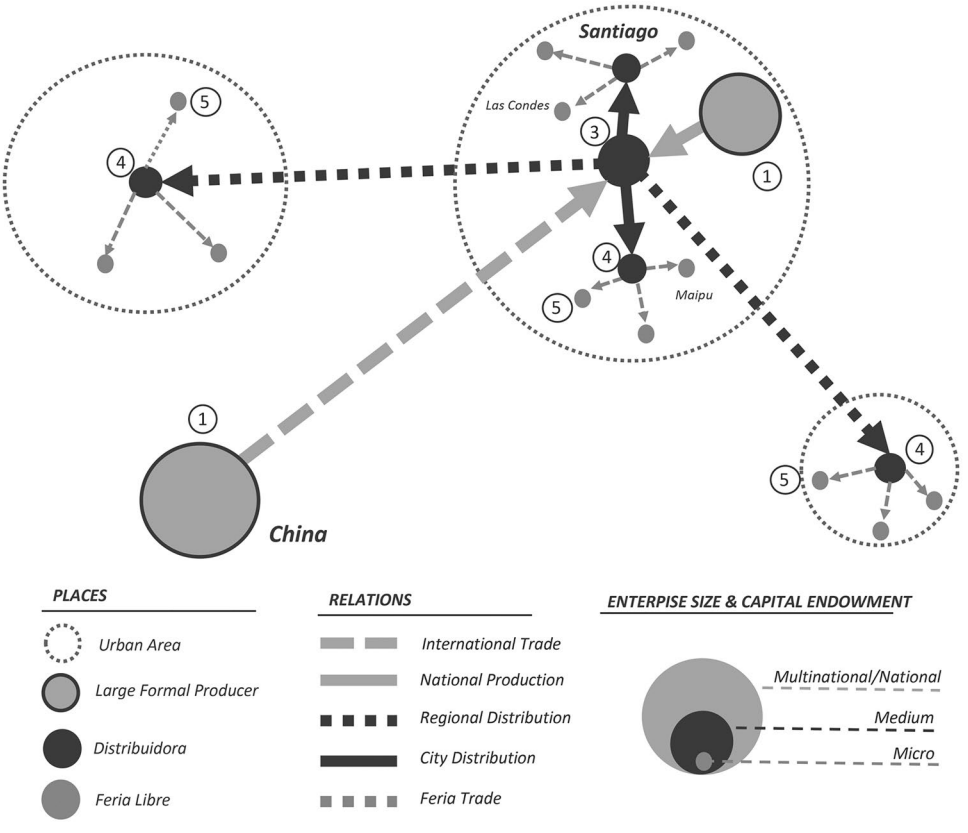

Figure 2. Formal-to-informal links in street markets.
Source: Authors' elaboration.

Santiago buy from national *distribuidoras* and sell products in smaller numbers to street vendors and smaller businesses. The scale of these smaller *distribuidoras,* and the intense competition between them, also makes them price-takers vis-à-vis national *distribuidoras*. Street vendors buy from them in low quantities, with little margin to negotiate prices, finally selling to households per unit at the neighbourhood level. Due to the seller–price-maker structure of this I2F trade network, profit margins are largely captured at the top, with little profit made at the lower tier. Juan (54), owner of a national *distribuidora*, Roberto (45), a local *distribuidora*, and Carlos (57), a detergent street vendor, describe these decreasing I2F profit margins:

> J: 'We buy different products from P&G containers in larger quantities. We can't negotiate prices (with large enterprises)… We sell to other smaller regional *distribuidoras* at a mark-up of around 50% to 80%'.
>
> R: 'I don't think that I pay a fair price the full trucks of toilet paper that I buy from a large distributor called *Papeleras*… The profit margin that I get is small and I don't always pay the same price…one week I have one price and the next I have a higher one. I can get some reduction but nothing significant… I can earn between 30% to 40% profit'.
>
> C: 'I can sell toilet paper for up to a 10% mark-up because the competition (in the *feria*) is very strong…'

These testimonies from three different levels within the network clearly reflect this decrease in margins. While market power might vary depending upon the cases and products analysed, the relationship between price and profit within the chain remains similar overall.

Unsustainable profit margins in I2F trade networks

Street vendors' tight profit margins restrict their capacity to price competitively against large retailers in the mass-produced goods market (Nattrass 1987). Manufacturing companies commonly create two lines of distribution for their products: one formal, focussed on large retail and supermarkets, and another informal, focussed on sales to national *distribuidoras*, ultimately ending in the hands of street vendors. As described by Agustín (32), previously a manager for Procter and Gamble in Chile:

> A: 'We sell to two core client types: large supermarkets and small enterprises… We sell directly to supermarkets at a preferential rate… All of our products that end up at small enterprises are sold to six large *distribuidoras* in the country, who then sell to smaller regional or local *distribuidoras*…who then sell to corner stores, *feriantes* and ambulant vendors'.

Unlike street vendors, large retailers procure in large quantities directly from producers, allowing them significant market power to negotiate preferential prices, and also integrate the entire distribution-sales chain into a single company. As a result, large retailers have significant profit margins to play with when pricing and selling products to consumers. In contrast, street vendors' tight profit margins and strong competition with local shops selling identical products leaves almost no margin to reduce prices. As Claudia (52), a plastic bag seller in Macul, comments:

> C: 'I was selling well-known dairy product brands, but I couldn't survive. (Near) *Feria Juan Pinto Duran* they built a Tottus [a large supermarket]. Any branded product is very sensitive (to competition with supermarkets). I don't understand how supermarkets can sometimes sell bellow the price that we buy from *distribuidoras*, and how they don't lose money… I will try to survive, now selling plastic bags'.

This indicates that expanding large formal retail in new urban areas, with their imbalanced pricing power, often threatens the profits and the long-term viability of street vendors' businesses.

Street vendors' integration into I2I trade links

A large number of street vendors make a satisfactory income selling goods produced and distributed by informal enterprises. Our qualitative analysis reveals that street vendors trade unbranded primary products with little added value such as eggs, fruit, vegetables, fish and seafood produced by small farmers and fishers. This I2I trade link constitutes a complex, structured and specialised network of thousands of small, informal enterprises of producers, distributors and sellers moving informal primary products across the whole Chilean territory. Figure 3 illustrates an example of street vendors' I2I trade links.

The primary product supply network for street vendors comprises informal farming and fishing businesses, who sell their goods to inter-regional traders and/or street vendors in regional hub markets, who finally sell locally to neighbourhood street markets. Primary product production occurs mostly in rural areas by farmers working with mono-productive agriculture or specialised fishers who sell in small quantities. These are commonly isolated

producers, either without the scale of production to supply large retailers or the local market demand to consume their entire production, particularly given that neighbouring farmers tend to produce similar products. Informal producers escape this local low-demand high-competition trap by supplying product to regional hubs, known as *centros de distribución*. These regional hubs are large spaces where local farmers offer wholesale primary products to regional street vendors and interregional traders. Originally generated by the State and later privatised during Pinochet's dictatorship, Chile currently has 26 *centros de distribución* across its 16 regions, with three located in Santiago. Importantly, interregional traders profit from buying and selling products between regional *centros de distribución*, thus weaving a nationwide trade network for informal products. The products purchased by street vendors here are sold in 1,114 urban street markets nationwide, 455 of which are in Santiago (Sercotec 2016), building the fine-grained capillary network that supplies almost all neighbourhoods nationwide with informal products. Carlos (56), a producer in Olmué-Valparaíso, Ian (54), manager of *centro de distribución* Lo Valledor, and Tomas (48), a greengrocer street vendor in Macul-Santiago, illustrate this trade structure:

> C: 'Here, small agriculture is at the mercy of God… The State gives subsidies and equipment for production, but doesn't help with commercialisation… Most of us have one to two hectares. Even though we produce in small amounts, we can't sell locally because everyone living nearby produces more or less the same thing and thus prices are low…This is why we go and sell at the *centro de distribución*'.

> I: 'Traders bring products from all over Chile and deliver…to Lo Valledor. For instance, from June to September, all tomatoes sold in street markets come from Arica [Chile's northernmost city] because of the warmer weather. These tomatoes travel to Lo Valledor brought by traders, and from here, other traders distribute them to Punta Arenas [city in the extreme south]'.

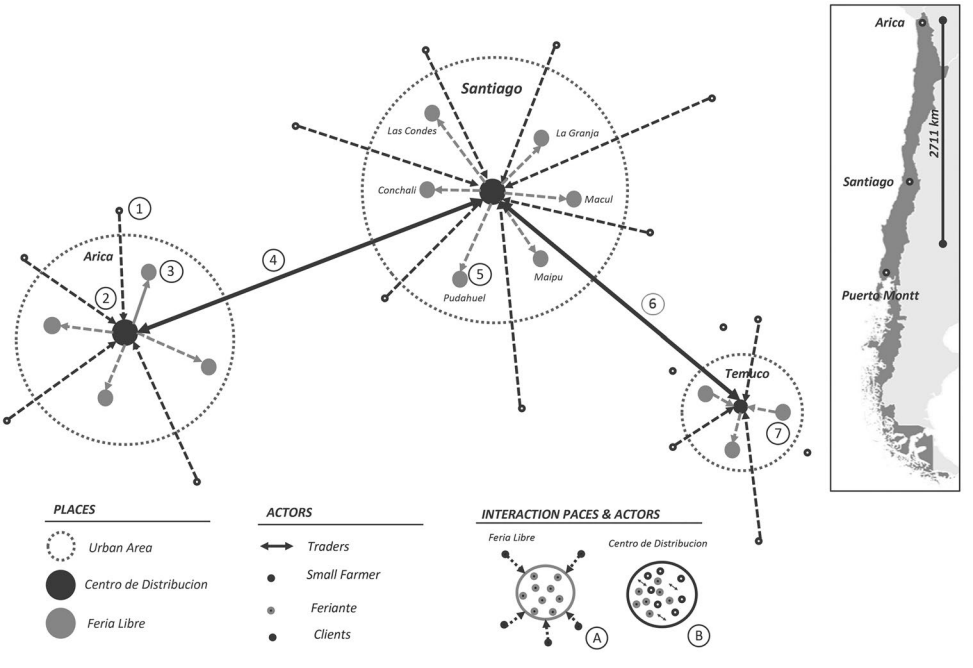

Figure 3. Street vendors' informal-to-informal links.
Source: Authors' own elaboration.

T: 'We buy at Lo Valledor. Everyone knows we are buying directly from the countryside, mostly from small farmers who come to deliver their products. We sell directly to the neighbours of the *feria*, these are the clients who come to us'.

Centros de distribución have thus allowed informal trade links between local farmers, regional hubs and street vendors to develop into trading circuits through which informal products are commercialised at a national scale.

Price-Takers and fair profits in I2I street vendor trade

Intense competition at each stage of street vendors' I2I trade creates free market conditions that trickle surplus gains down to the base of the network. Given the low capital and legal entry barriers, many small-size buyers and sellers are in intense competition at all transactional stages of the network. In each *centro de distribución*, hundreds of local producers and traders sell their products to other inter-regional traders and thousands of local street vendors. In street markets, hundreds of street vendors sell to many residents. This generates free market conditions where all players are price-takers, resulting in equitable distribution of profit margins between sellers and buyers. As high competition is present across the network, gains are more equitably distributed to street vendors and households. Antonio (54), a potato producer from Melipilla, and Pedro (48), a potato vendor in La Granja-Santiago, comment:

A: 'At Lo Valledor, prices change every day; when 50 trucks arrive (loaded with goods to sell) you have one price, when 60 come you have another. I make around 100% profit above costs'.

P: 'We compete among ourselves… At the *feria*, prices are fully determined on the day. I sell potatoes, if my colleague doesn't come or I have more customers, I can sell at a higher price. Depending on this, I can make between 80% and 150% mark-up'.

While profit margins are relatively fairer when considering these I2F cases, and surplus gain does reach actors at the bottom of the network – such as the street vendors – the conditions described by interviewees require further and more careful analysis, as the supply–demand dynamics might lead to volatility of everyday product prices and profits.

I2I trade networks supporting livelihood

I2I links in Chilean street markets, rather than being precarious and marginal as the literature proposes, have evolved into highly structured, specialised and decentralised national-scale trade networks, supporting thousands of small firms and livelihoods for rural and urban households (Kadfak 2020). At the production level, street vendors' I2I linkages support the livelihoods of thousands of small rural informal farmers and fishers who gain access to nationwide demand and higher-than-local market prices. Regarding distribution, lorry traders moving products across regional hubs make a living by exploiting price differences generated by the geographical specialisation of small-scale farming and fishing. *via* exchange hubs, street vendors access regional production directly from producers, and non-regional products from traders, all at free market prices, thus avoiding the value extraction of middlemen and producers inherent in I2F trade. In exchange, street vendors provide a crucial connection for the whole informal network, serving urban household demand in almost every neighbourhood nationwide, offering quality primary products at prices lower than

supermarket retailers. *via* this informal value chain, low-income, urban households gain access to quality products and maximise their purchasing power.

Discussion and conclusion: revisiting I2I trade links as a poverty alleviation opportunity

Whilst dualist, legalist, structuralist and, to a lesser extent, V_M-BoP frameworks have a long history in conceptualising the relationship between informal and formal firms, our empirical analysis constitutes a step forward, contrasting the accuracy and relevance of their poverty alleviation predictions for street vendors. We found that even in a single city and sector, a variegated picture wherein I2F and I2F trade networks coexist, and where various theoretical frameworks can be applied side by side. In Chile, street vendors' vertical integration with formal enterprises constitutes a national and international trading network following the V_M-BoP dynamic, allowing them to move out of poverty and even surpass minimum wage incomes found in the formal economy. However, this benefit comes, as structuralists propose, at the cost of 'precarious inclusion': street vendors have little bargaining power with larger companies and their profits are squeezed down through the network, resulting in an unequal share of gains. Furthermore, this creates a competitive disadvantage when facing fierce competition from formal retail. As retail companies and supermarkets buy directly at the top from manufacturers, they can offer the same products at lower prices, or obtain larger profits, threatening the survival prospects of many informal businesses. The simple arrival of a supermarket to a low-income neighbourhood means that many street vendors selling informal products must close or shift to new product types.

In contrast with mainstream policy and academic perspectives, this case shows that I2I trade networks in general -- and street vending in particular -- offer significant potential for poverty alleviation. Vendors' I2I trade networks in Chile have evolved to become profitable, structured and specialised, leveraging geographically spread markets to rival the poverty alleviation capacity of I2F trade links. Compared with I2F networks, the higher atomicity of players in I2I markets (a large number of small informal sellers and buyers) results in a fairer distribution of profits throughout the network, leading to significantly higher gains for street vendors. For small-scale informal farmers, the I2I network further facilitates higher profits by overcoming a local demand deficit. Ultimately, for street vendors, this I2I trade enables the delivery of high-quality primary products at lower prices than supermarkets, giving a competitive advantage that reduces risk of failure and sustains long-term business profitability.

A central component of I2I networks is the early government-financed infrastructure of regional distribution hubs, which allow small farmers, traders and street vendors to connect and trade in one nationwide marketplace. The extent to which this type of trading structure applies to other informal sectors, or even to the same sector in other countries, remains unknown. At a minimum, this study shows that precarity is not a structural condition of I2I trade, as dualists have proposed, nor is legalisation a precondition for the economic progress of informal entrepreneurs in I2I links, as legalist theory suggests. It also allows us to consider whether supporting policies, such as the construction of distribution hubs, can lead to a more organised and structured trade, connecting street vendors and small farmers to obtain higher profits, thus advancing SDG-1. Furthermore, this study raises questions as to whether the lack of investment and repressive policies over the past half-century might have advanced

the precariousness of I2I networks observed in other contexts. We call for academics and policymakers to further explore these relevant developmental questions, and take a fresh look at the poverty alleviation potential of I2I linkages for street vendors and other informal economic sectors.

Finally, we argue that theoretical approaches to street vendors cannot be homogenised and siloed, and instead require an integrative approach. Within this single case study, we observe that the types of links street vendors establish with providers, the different products they sell, and the supply chains they engage with, all impact their market power, income, long-term risk and economic sustainability. While theory informs our understanding of on-the-ground dynamics, interpreting findings through theoretical silos can create more blind spots. For example, by assuming a precarious and unstructured nature to I2I trade, we may miss entirely its capacity to alleviate poverty. A more eclectic and flexible use of theory can ignite a more comprehensive understanding of what are highly diverse informal sectors grounded in unique geographical contexts.

Disclosure statement

No potential conflict of interest was reported by the authors.

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Notes

1. For some examples see the Human Poverty Index or the Multidimensional Poverty Index (Bradshaw and Finch 2003).
2. Empirical studies have shown the relevance of gender, education and location of informal enterprises in their income returns (Nguyen and Nordman 2018; Smith and Metzger 1998).
3. Street markets do not legally exist in Chile, but fall under the responsibility of municipalities as administrators of public space. Any permit to use public space is by national law regarded as precarious, meaning they can be modified or revoked at the discretion of the mayor (Obreque 2019).

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