

Jesus Jasso Verduzco

Association of Public Policy Analysis & Management

May 24, 2020

### **Hispanic-Driven Informal Economies in Los Angeles**

The purpose of this paper is to discuss the informal economies of street-vending and paid domestic workers of Los Angeles, California and their cultural attachment to the local Hispanic population. This paper will undertake an exemplary definition of the informal economy provided to me by the authors of, “Competing Against the Unknown: Impact of Enabling and Contrasting Institutions on the Informal Economy.” An informal economy is a, “the set of illegal yet legitimate (to some large groups) activities to which actors recognize and exploit opportunities.” (Webb et al., 2009) We will revisit this article later on when we discuss the broad policy recommendations to minimize an informal economy. I will draw from scholarly works in order to conceptualize two sectors of the Hispanic-driven informal economy of Los Angeles. The two informal markets we will look at are street-vending and paid domestic workers. Street vending, and the concept of Hispanic informal economies, is a sociological phenomenon. Sociologists who have studied street-vending in Los Angeles find that it is a market driven by the demand for Hispanic labor. As we discuss these studies we will discover why some informal markets in Los Angeles depend on the supply of immigrant labor, largely Latino immigrant labor. We will also uncover the impact that street-vending has on the urban environment and why temporal elements, like street vending, should be in the conversation of urban development.

Los Angeles is an incredible urban city with many elements that create the LA culture. The County of Los Angeles has an enormous urban landscape estimated to be home for over 10 million people. (Census Bureau, 2019) The Census Bureau estimate that 48.6% of the total population is of Latino/Hispanic origin. In 2012, the total Accommodation and Food Services Sales for Los Angeles County was about 23 billion dollars. (Census Bureau, 2019) This number only includes formal establishments with paid employees. The total sales for prepared food could be underestimated considering that they are not counting street vendors and informal food markets that exist in some Los Angeles neighborhoods. Street vending is an informal practice where male vendors tend to be more mobile selling their products from a bag or cart, and female vendors typically sell hot food that they make at home in a more stationary setting. (Graaf and Ha, 2015) Keeping in mind that many street vendors sell food, below I will describe a theoretical framework behind street vending and briefly analyze the new “street vending permit program” of Los Angeles.

Let us begin with the story of Milagro provided to me from the case study “Selling Memory and Nostalgia in the Barrio” by Lorena Munoz. Milagro, which means “a miracle” in English, is a single mother who was forced to leave her home in Mexico after her family fell into abject poverty. Milagro migrated to the United States with the intentions to work the same job she did in Mexico. Just like many of the immigrant women, Milagro grew up in a society that viewed street vending as an acceptable way of making a living. When Milagro was asked what she liked about her work, she replied that she loved talking to her customers, needed the flexible hours, and appreciated the ability to remain close to her family and provide for her children. (Graaf and Ha, 2015) From the 60 interviews with street vendors, Munoz concludes that the factors that attract

Latinas to street vending are; ability to provide for their family without a formal education, flexible hours to care of their children, community building with other Latinos. (Graaf and Ha, 2015)

Next, we will discuss the importance of the community building that street vending creates. According to Munoz, Hispanic street vendors also play a role in creating a “sense of place” for Latinos who are unfamiliar with living in a developed and industrial city like Los Angeles. Hispanics drive the street vending informal economy because they gain a “sense of place”, or belonging. Munoz states, “Place as a concept, is created through a process by which various social and cultural phenomena interlink everyday life experiences.” (Graaf and Ha, 2015) The smell of food, language, dress and cultural behaviors all fill the void of missing home for many Latino/a immigrants. (Graaf and Ha, 2015) Munoz believes that street vendors have been weaved into the larger culture of Los Angeles.

Furthermore, the significant amount of space occupied by street vendors in certain Los Angeles neighborhoods qualifies this Hispanic-driven market to be in the mainstream conversation of urban planning. Kenny Cupers, author of “The Urbanism of Los Angeles Street Vending,” claims that planners of an industrialized city should be able to have a wider view of urban elements, and therefore, need to take into consideration the temporal qualities of a city like street vending. (Graaf and Ha, 2015) According to Cupers, there is about 10,000 to 15,000 Latino/a street vendors in Los Angeles with selling trends that are determined by pedestrian traffic and location of transportation hubs. (Graaf and Ha, 2015) The spaces that these vendors occupy become pop-up restaurants or markets aimed to attract impulse shoppers. (Graaf and Ha, 2015) Some of these

urban spaces are in unconventional “left-over” parts of the urban designs, such as; parking lots, highway intersections, privately owned mall plazas and public parks. (Graaf and Ha, 2015) The many urban areas that Hispanic street vending undertakes qualifies to be placed in the conversation of urban planning. All in all, hotspots for street vendors can be anywhere with foot traffic, and little police presence. the contribution of this essay allows us to understand the tangible effects of the street vending on the urban landscape of Los Angeles.

Although, Cupers believes that the undertaking of space by to street vending is reason enough to include in the conversation of urban planning, some argue that all Hispanic-driven economies are “third world elements” better left ignored. (Pisani, 2013) Michael J. Pisani, author of “Consumption, Informal Markets, and the Underground Economy: Hispanic Consumption in South Texas,” provided me with insight into the political rhetoric used to describe Hispanic-driven informal markets. Pisani explains that “in developed economies, informality in the public sphere is often viewed, if recognized or understood at all, as a fringe economic oddity, mostly to be ignored. However, informality is a major public policy concern in developing contexts.” (Pisani, 2013) In other words, as consumption of informal goods and services are perceived as a taboo to the political agenda. It is important to understand that as consumption of the informal market grows, so does the undermining of government regulations, oversight and taxation. The discourse between the consumers of informal goods and the local government poses a very real public policy concern. Another informal sector that is also noteworthy is the market for Hispanic and Caribbean domestic work in Southern California.

Paid domestic workers actually have employment regulations in place in California but they are often ignored by informal employers. California labor regulations require that all paid domestic workers receive overtime pay at 1.5 times their regular rate, and that employer pay into Social Security regardless of immigration status. (State of California, 2020) Pierrette Sotelo, the author of *Also*, in this excellent analysis “Affluent Players in the Informal Economy: Employers of Paid Domestic Workers” dismantles false stereotypes about the Hispanic-driven informal economy. Sotelo shows in her article that, contrary to common belief, not all informal economy is a survival strategy for the poor nor does it always take place in marginalized communities. (Sotelo, 1997) Actually, the main employer of immigrant domestic workers, and supporters of this Hispanic-driven informal economy, are affluent and middle class members of US society. (Sotelo, 1997) Millionaires or corporate professionals contribute largely to the demand for Hispanic labor. Sotelo makes it clear to me that the demand for female Latina and Caribbean domestic workers existed before the arrival of these immigrant women, and that California labor laws are continually violated by the affluent actors who employ these women. The results from Sotelo interviews found that only 4 out of the 35 affluent informal employers had paid anything into their employees Social Security. This deliberate act of disobeying government regulations leaves many immigrant women to be paid “under the table” making them part of the Hispanic-driven informal economy.

All in all, street vending has caught my attention because of the minimal policy attention it has received. With respect to the paid domestic workers, it is a matter of enforcing the existing labor regulations rather than the creation of new policy. Street vending in Los Angeles has recently become an agenda item with the development of the street-vending permit program by the Los

Angeles Streets Bureau. Below we will discuss the parameters of the program. I will also share a few barriers that I think may keep the program from reaching optimal effectiveness.

### **Analysis of the New “Street-Vending Program”**

In this section of the paper we will discuss Senate Bill 946 and the new program created by the Los Angeles Streets Bureau called the “Sidewalk & Park Vendor Permit Program.” The purpose of SB946, or the Safe Sidewalk Act, is to decriminalize the informal street-vending economy of California. This legislation prohibits local law enforcement to ticket or impose criminal penalties on street-vendors for simply having the occupation of street-vendor. ([leginfo.legislature.ca.gov](http://leginfo.legislature.ca.gov)) Another aspect to the legislation are power conferring policies that allow local municipalities to broaden the parameters of their public health laws in order to accommodate street-vending. ([leginfo.legislature.ca.gov](http://leginfo.legislature.ca.gov)) The idea is that the state will alleviate the criminalization of street vendors, while giving all authority to local governments to regulate in a manner that works best for the region. In Los Angeles, being that the majority of the street-vendors are Hispanic, the LA Streets Bureau has created a bi-lingual online resource in preparation to implement their Sidewalk & Park Vendor Permit Program starting July 1<sup>st</sup>, 2020.

The Sidewalk & Park Vendor Permit Program is made up of four main components. The first component is the online resource that contains information regarding the newly required permits, and direct links on how to obtain them. The second component are the permits themselves.

The City of Los Angeles is requiring the following four permits or certificates; a Business Tax Registration Certificate (BTRC), a Seller's Permit from the State of California, a Public Health Permit for food vendors only, and a local Vending Permit that is a requirement for all the street vendors. ([treetsla.lacity.org](http://treetsla.lacity.org)) The third component are the help centers located around the City of Los Angeles that support street vendors in completing the registration process. Fourthly is the policy component that is the regulating aspect to the program.

I noticed that some issues with the permit requirements that may grow into barriers of access for some street-vendors. For example, both the Seller's Permit and the BTRC require social security numbers to register. This requirement can pose a limitation to undocumented immigrants who are street-vendors. Another possible barrier is the high fees that is associated with being a food vendor. The permit fees for a street-vendor with a food cart can accumulate to about \$1,313. "Some street vendors who cheered the council's move back in November are now worrying about whether they'll be able to afford the cost of operating legally." (LAist, Rojas, 2019) Low-income street-vendors may feel burdened by this large start up fee, and cause issues of accessibility to the Sidewalk & Park Vendor Permit Program. "The city ordinance will limit permits to three per individual, but some vendors worry about being squeezed by investors who can afford multiple carts and permit costs." (LAist, Rojas, 2019) One suggestion that may incentivize informal Hispanic Street-vendors is to allow one permit to apply to multiple food carts. In other words, if a vendor operates multiple food carts, allowing them to purchase permits for one cart only may open accessibility to low-income street-vendors. All in all, the Sidewalk & Park Vendor Permit Program is in its early stages of implementation and is focused recruitment of informal street-vendors of Los Angeles.

## **General Policy Recommendations**

The policy suggestions I will describe should be applied in a broader economic setting. They have derived from the article “Competing Against the Unknown: Impact of Enabling and Contrasting Institutions on the Informal Economy” by B.D. Mathias et. al.

The first policy recommendation is incentivizing formal entrepreneurialism by increasing property right protections. Although this is a common policy suggestion, the authors offer a different perspective by elaborating further on the idea of productive entrepreneurialism. Productive entrepreneurialism can be defined as creating stability, self-empowerment and incentives for formal entrepreneurs. (B.D. Mathias et. al, 2015) The goal is for government to protect the formal market and increase individual entrepreneurial control, which will lower the attractiveness of the informal sector.

The second policy recommendation is cooperative action. Cooperative action can be defined as a set of policies aimed towards empowering underrepresented members of society to engage in formal economic activities. (B.D. Mathias et. al, 2015) The authors give an example of cooperative action from the government of India. For example, the Government of India created a social policy made to protect women who start business from manipulation from their family or predatory institutions. In other words, cooperative action works by opening the door for the previously disenfranchised, or discriminated members of society, to engage in formal



entrepreneurship without fear of being taken advantage of. Social policies can help persuade informal entrepreneurs to engage in formal activities by eliminating the political repercussions from operating formally. (B.D. Mathias et. al, 2015) All in all, the policy recommendations from this scholarly work can be practiced in Los Angeles with the hope in reducing the informal economy of the region.

## **Conclusion**

To sum up, we have discussed the dynamics of the Hispanic-driven informal economy in Los Angeles and have taken a closer look to the inception of the street vending program. The scholarly works I drew from contain studies that show how Hispanic street vendors as informal actors who sell products, but also nostalgia to a community of Latino immigrants. The vendors of Los Angeles are mobile and temporal aspects of the urban environment. We have discussed the urban areas that vendors typically transform into a “sense of place” for the Latino community. The street vending informal economy and paid domestic workers are similar in that they thrive from a demand of Hispanic/Latino labor. However, these two Hispanic-driven informal markets differ in the amount of policy regulation for each sector. In the future, the new “Sidewalk & Park Vendor Permit Program” can be evaluated and empirical data can be gathered to determine if it was successful in formalizing the street vending economy of Los Angeles. In conclusion, this paper created a synopsis of studies about street vending and paid domestic workers in Los Angeles.

### References

**B.D. Mathias, Sean Lux, T. Russell Crook, Chad Audry, Russell Zaretzki. (2015) “Competing Against the Unknown: Impact of Enabling and Contrasting Institutions on the Informal Economy” Journal of Business Ethics pp. 251-264.**

**Webb, J. W., Tihanyi, L., Ireland, R. D., & Sirmon, D. G. (2009). “You say illegal I say legitimate: Entrepreneurship in the informal economy.” Academy of Management Review, 34(3), pp 249 – 510.**

**Kristina Graaf, Noa Ha. (2015) “Street Vending in the Neoliberal City: A Global Perspective on the Practices and Policies of a Marginalized Economy.” Berghahn Books. Chapter 5 – Chapter 8.**

**Pisani, Michael J. (2013) “Consumption, Informal Markets, and the Underground Economy: Hispanic Consumption in South Texas.” New York: Palgrave Macmillan. Pp. 1-23.**

**Pierrette Hondagneu-Sotelo (1997) “Affluent players in the informal economy: Employers of paid domestic workers.” The International Journal of Sociology and Social Policy; 17. Pp 130-152.**

**LESLIE BERESTEIN ROJAS. (May, 2019) LAist, “LA's Street Vendors Are Legal Now, But Will They Be Able To Afford It?” Last edited on MAY 1, 2019 6:00 AM.**

**[https://laist.com/2019/05/01/las street vendors are legal now but can they afford it.ph](https://laist.com/2019/05/01/las-street-vendors-are-legal-now-but-can-they-afford-it.php)**

**p**

**State of California. Department of Industrial Relations. “The Domestic Worker Bill of Rights” Accessed on May, 2020.**

**<https://www.dir.ca.gov/dlse/DomesticWorkerBillOfRights-FAQ.html>**

**California Legislation Information. “Senate Bill No. 946 (2017 – 2018)” Accessed on May, 2020.**

**[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180SB946](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB946)**

**City of Los Angeles Streets LA: Bureau of Street Services. Accessed on May, 2020.**

**[streetsla.lacity.org/vending](https://streetsla.lacity.org/vending)**