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The Informal Economy in City Heights

A REPORT PREPARED FOR THE CITY HEIGHTS COMMUNITY DEVELOPMENT CORPORATION

BY

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I. EXECUTIVE SUMMARY

This research on the informal economy in City Heights was conducted by the Center for Urban Economics and Design (CUED) in collaboration with the Urban Studies Program at UCSD and Mirle Rabinowitz Bussell, Ph.D. at the request of the City Heights Community Development Corporation (CHCDC), a nonprofit organization located in the City Heights neighborhood of San Diego. The Ford Foundation funded the study. The impetus for the research evolved from a larger analysis completed by CUED and CHCDC at the request of the California Endowment on strategies for creating walkable environments in City Heights. The study illustrated the economic development potential that creating walkable destinations might have on the local economy with the primary beneficiaries being local serving businesses and residents. In response, definitive data was developed to create the Walk and Shop strategies in conjunction with some innovative design strategies. The accumulation of data suggested that there was an additional phenomenon present within the neighborhood that might enhance economic opportunity and walkability, namely the presence of a functioning informal economy. The informal economy refers to economic transactions that are not generally recorded through formal business accountability systems (licensing, taxes, permitting, etc.) and are primarily completed through cash transactions.

Research illustrates that informal economic activity tends to be greatest in low-income areas. It serves to fill gaps in resident income levels. Areas with high unemployment also tend to show higher levels of activity in the informal economy. Finally, research also shows that communities with high concentrations of immigrants have higher levels of informal economic activity.

The City Heights community is a multiethnic, predominantly lower income area of approximately 70,000 residents in 22,283 households. Close to 40% of its population consists of immigrants from numerous South American, Asian, and East African countries. Much of the remaining resident population is below standard income levels for self-subistence. The community is located several miles east of downtown San Diego and, as one of the city’s oldest neighborhoods, it also suffers from aging infrastructure.

Other conditions in City Heights which suggest that an informal economy is almost necessary to meet standard living expenses include linguistic isolation, high unemployment, low levels of education, high cost of housing, large family size and geographical concentrations of
immigrant populations. Some of this data is readily available from previous CUED research and is provided and mapped in this report to illustrate conditions which might encourage and facilitate informal economic activity.

Given these conditions, the focus of this research was to develop statistically verifiable indicators of the character of the informal economy in City Heights identifying both consumer and worker behavior as well as prevailing attitudes about the value of the informal economy. Data was collected through the administration of a survey to approximately 100 residents of City Heights.

The findings demonstrate that the informal economy is alive and well in City Heights and is used by a variety of immigrant populations as well as long time residents. Nearly all of the respondents live below basic income thresholds. An overwhelming number of respondents use the informal economy for the purchase of goods and services. The findings also identified a sizeable number of residents who work, either part time or full time, in the informal economy. A large percentage of these persons involved in the informal economy want to grow their businesses, but a variety of factors inhibit them. Given these basic facts, the question then becomes what program or policies can address this opportunity? The study identified several important findings as delineated below.

**Key Findings**

1) The informal economy is a significant factor in both income generation and consumer behavior in City Heights.
2) Informal economic activities occur across and within specific ethnic clusters.
3) Large percentages of respondents use the informal economy for the purchase of food (87%), clothing (87.8%) and basic services (71-77%)
4) The informal economy is grounded in lower income residents and frequently enhances formal income.
5) The informal economy is widely accepted and supported in the community.
6) A strong interest exists among respondents to expand and grow their informal businesses.
7) Many informal businesses exist in the absence of formal businesses (gap entrepreneurship) providing similar goods.
8) A basic financing and training network exists among area nonprofits to serve informal businesses.
9) Informal business entrepreneurs are not accessing available resources to assist their business development.
10) Impediments to business expansion include financing capital, training, and licensing and regulatory obstacles.
11) The informal economy is a cash economy with nearly a third of respondents not using traditional banking services.
Best Practices

A major element of the project involved a thorough review of international and national models for responding to the informal economy. The literature indicates that a primary focus of international programs involves identifying methods for bringing informal economic activity into the formal economy. The large presence of the informal economy in developing countries is linked to overall national economic conditions and the lack of a taxpaying base or systems for growing the various national economies. The scale of the informal economy in many developing countries was dramatically more significant overall but the actual businesses tend to be smaller than their U.S. counterparts. Compared to U.S. standards, the funding necessary to grow those businesses is smaller. However, numerous microlending or development oriented lending strategies have achieved various levels of success in these markets.

In the US, the presence of a decades-old informal economy is well documented. The literature indicates that many of the previous approaches to growing informal businesses were informal themselves. Recently, however, we have seen the emergence of formal, institution-based methods designed to respond to and enhance the growth of the informal economy. Two models are currently used in City Heights and serve as state of the art examples: International Rescue Committee and the La Maestra training program. The International Rescue Committee manages a refugee-oriented loan/grant program as well as technical assistance for informal business growth. Loan amounts range from hundreds to tens of thousands of dollars and in part depend on peer collateral accountability methods. The La Maestra program provides a peer collateral loan program, individual development accounts for goal-oriented saving that include small business growth as a viable goal, and classroom-based technical assistance ranging from language instruction to accounting. Anyone can enroll and unlike the IRC program, the program is not restricted to persons of refugee status, although many if not all of their clients are new immigrants.

Other best practices relevant to City Heights come from cities like Chicago and have to do with the establishment of protective or enterprise zones with multiple incentives for growing informal businesses. The Chicago model attempts to provide a series of ordinances and regulations which expedite and foster informal business growth within a specified and monitored geographical zone/neighborhood. In many ways it attempts to legitimize informal economic practices but fosters growth and development through regulations well as businesses-oriented technical assistance including efforts similar to La Maestra and the IRC described above. A key provision is the expedited and localized licensing within the zone
Policy and Program Recommendations Regarding the Informal Economy in City Heights

Based on the survey findings, in conjunction with a review of the literature and the identification of best practices, the following program and policy recommendations for City Heights were identified:

1) Develop an informal economy oversight coalition that includes service providers, policymakers, and local informal entrepreneurs.
2) Implement a strategy to link informal businesses with formal businesses through the City Heights CDC Walk and Shop efforts.
3) Implement a comprehensive strategy to link informal businesses with microlenders and technical assistance providers.
4) Commission a DrillDown of City Heights to accurately quantify current and potential informal and formal economic activity.
5) Develop community support to modify street vendor permitting procedures and fees in designated areas of City Heights, including allowing mobility throughout the designated area.
6) Develop strategies to expand the distribution of healthy foods, including fruits and vegetables, through the street vendor economy model.
7) Explore the potential for a live/work/informal economy overlay zone with the community planning group, to “legalize” informal economic activities in residential areas.
8) Identify and organize informal economic service clusters to create opportunities for expansion, training, capital access, legislative consent, and marketing efforts.
9) Explore opportunities and potential participants in a community kitchen business incubator as part of the overall Walk and Shop strategy and funding.
10) Analyze and advocate to local “government assistance” programs for positive inducements for informal economy entrepreneurs.
11) Encourage and fund basic bank-based financial education efforts through local nonprofits.
12) Support efforts underway to encourage local farming linked to local market and resale opportunities (including restaurants and street vendors).
13) Encourage the design of stations for strategic placement of vendors throughout the Walk and Shop zone.
II. INTRODUCTION

This research on the informal economy in City Heights was conducted by the Center for Urban Economics and Design (CUED) at the request of the City Heights Community Development Corporation (CHCDC), a nonprofit organization located in the City Heights neighborhood of San Diego. The research was funded with a grant from the Ford Foundation. The impetus for the research evolved from a larger analysis completed by CUED and CHCDC at the request of the California Endowment on strategies for creating walkable environments in City Heights. The study illustrated the economic development potential that creating walkable destinations might have on the local economy with the primary beneficiaries being local serving businesses and residents. In response, definitive data was developed to create the Walk and Shop strategies in conjunction with some innovative design strategies (see Figure 1). The analysis of data suggested that there was an additional phenomenon present within the neighborhood that might enhance economic opportunity and walkability, namely the presence of a functioning informal economy. The informal economy refers to economic transactions that are not generally recorded through formal business accountability systems (licensing, taxes, permitting, etc.) and are primarily completed through cash transactions.

The City Heights community is a multiethnic, multilingual, predominantly lower income area of approximately 70,000 residents in 22,283 households. Approximately 40% of its population is foreign-born and consists of immigrants from numerous Latin American (Mexico, Central America), Asian (Vietnam, Cambodia), and East African (Somalia) countries. A high percentage of the resident population has very low household incomes. Furthermore, the overwhelming majority of households are renters (78%), and they are much larger in size than the average household in the city of San Diego (3.3 persons in City Heights compared to 2.6 persons in San Diego).

1 This figure identifies the proposed primary walkable destinations (delineated by the green and blue circles) based on existing commercial trade and the opportunity to increase consumer activity at the selected destinations through capital improvements. The area as a whole has the potential to define itself as a “new economic geography” (delineated by the red line) based on increases in consumer activity, enhanced self assessments and improved urban infrastructure.
Other conditions in City Heights which suggest that an informal economy is almost necessary to meet standard living expenses include linguistic isolation, high unemployment, low levels of educational attainment, high cost of housing, and geographical concentrations of the immigrant population. This data is included in this report in order to illustrate conditions that might encourage and facilitate informal economic activity.

Given these conditions, this research focused on developing statistically verifiable indicators of the character of the informal economy in City Heights. While much has been written about the informal economy in developing countries, the research on informal economic activity in the United States is not as thorough, although a growing body of scholarship is now exploring the many facets of it. The research presented in this report builds off of existing research and the few studies that look at the complex nature of informal economic activity in diverse multiethnic, multi-lingual communities such as City Heights. Many of the existing studies focus on a single racial or ethnic group and do not capture the dynamic nature of informal economic behavior in diverse, melting pot, immigrant communities. Towards this end, the findings presented in this report seek to elucidate the ways in which residents of low-income,
multiethnic communities participate in informal economic activity as both consumers and workers. We explore attitudes about informal economic activity as well as actual purchase and employment activity in the informal economy. The research derives from the perspective that informal economic behavior is not necessarily a negative phenomenon; rather, it is driven by “need, not greed” (Katungi et al. 2006) and is often a necessity in communities like City Heights. Subsequently, policies should be explored that build upon and enhance informal economic activity and use it as either a pathway to formalization and/or a more stable and ultimately sustainable economic base.

In order to explore these questions and assemble a basis for analysis, data was collected through a survey administered at several sites in City Heights. The questionnaire broadly addressed resident consumer habits and employment patterns relative to the informal economy and sought to assemble a demographic profile of the participants. Through direct, action-oriented research, a team of undergraduate students from the Urban Studies and Planning Program at UC San Diego helped administer the survey to over 100 City Heights residents from a broad range of ethnic groups.

As the findings in this report make clear, the informal economy is alive and well in City Heights and encompasses the participation of a variety of immigrant populations as well as long time residents. Close to three-quarters of the respondents have incomes below the poverty level therefore corroborating the correlation between low incomes and the necessity of informal economic channels. Informal economy participants are entrepreneurial, and a large percent of the persons involved in the informal economy in City Heights want to grow their businesses. A variety of factors inhibit them, and yet it is advantageous to the larger community, even the city, to promote policies to encourage these entrepreneurial objectives as this could lead to further tax revenues, enhance health and safety, and minimize reliance on public subsidies for basic living expenses. Given these facts, we must consider and identify those programs and policies that can address this opportunity. Using best practices from across the country as well as findings identified in the previous CUED study, a number of recommendations are presented.

The recommendations are presented in the context of the larger long-term challenges for City Heights. City Heights CDC is pursuing a formal business growth strategy through its Walk and Shop Initiative concurrently designed to enhance economic growth and public health outcomes. If this effort is successful, we must also consider strategies for mitigating the potential gentrifying effects that might result. The recent history of redevelopment and philanthropic-based development
in communities like City Heights across the country has often resulted in significant displacement. We consider the strategies and policies in which growing the informal economy can solidify resident financial positions and assist them in staying in the neighborhood, while at the same time improving a livable and sustainable geography.

As discussed in this report, existing research illustrates that the informal economy tends to be more widespread in low-income communities. Importantly, it serves to fill gaps in resident income levels. Areas with high unemployment also tend to have higher levels of activity in the informal economy. Research also shows that communities with high concentrations of immigrants also have higher levels of informal economic activity. Thus, the demographic composition of City Heights makes it a likely candidate for a thriving informal economy.

In order to explore the characteristics of the informal economy in City Heights and identify potential strategies for supporting its long-term economic growth, this report is organized as follows. We begin with an overview of the socioeconomic composition of City Heights in order to demonstrate the demographic characteristics that often correlate with informal economic activity. This is followed by a literature review on existing scholarship on the informal economy. We look to existing studies to identify gaps in the literature as well as effective methodologies for studying informal economic behavior in communities like City Heights as well as useful strategies and policies to support and enhance economic growth in communities with a proclivity, and need for, informal economic channels. The next section presents the findings from a survey that was administered to City Heights residents in order to learn more about their informal economic behavior. We conclude with an analysis of the findings and policy recommendations.
III. DEMOGRAPHIC OVERVIEW OF CITY HEIGHTS

Research illustrates that the informal economy tends to be most robust in low-income areas with high rates of unemployment. Communities with high concentrations of immigrants also have higher levels of informal economic activity. The demographic and historical profile of City Heights presented in this section shows that it contains many of the hallmark indicators of an informal economy hub.

City Heights is located several miles east of downtown San Diego (see Figure 2) and as one of the oldest neighborhoods in the city it has a rich history. In 1912 the area known today as City Heights became the incorporated city of East San Diego. Over the next 20 years, the population grew sizably. However, challenges with unreliable sources of water and the city of San Diego's decision to raise the cost of providing high school education led to the 1923 annexation of East San Diego by the city of San Diego. For several decades following its annexation, City Heights flourished as commercial growth expanded.
along University and El Cajon Boulevards in conjunction with investments in education and transportation. Hoover High School opened in 1930 and transportation infrastructure investment connected City Heights to other parts of the city. This expansion and strong economic development continued through the 1950s and City Heights was characterized as a predominately white, middle-class community of homeowners. However, the development of major shopping centers in other parts of San Diego led to a loss of retail activity in City Heights as consumers from across San Diego were drawn to the large, regional shopping centers.

In response to the declining revenues, local business owners supported the 1965 Mid-City Development Plan which rezoned most of the community for multi-family residential units. Subsequently, developers acquired single-family homes, demolished them, and replaced them with multi-family structures, most of which were poorly constructed. By the 1970s City Heights had transitioned from an area of predominantly homeowners to one of renters. Low rents attracted low-income households, many of whom were recent immigrants and refugees.

In addition to the increased population density, crime rates rose. Actions taken by Caltrans in the 1970s contributed to the increase in crime. During this time period Caltrans purchased several hundred homes in City Heights in anticipation of the expansion of the I-15 freeway through the community. Instead of demolishing the homes, Caltrans boarded them up. Delays in the freeway construction provided the opportunity for drug dealers and prostitutes to use these vacant structures for illegal activities. Crime rates eventually rose so high that in 1990 the city of San Diego declared a State of Emergency in City Heights (Environmental Health Coalition, 2013).

In response to the challenges facing City Heights, a vibrant nonprofit sector took root. The City Heights Community Development Corporation, established in 1981, was the first community-based nonprofit in the neighborhood followed by the Mid-City Community Action Agency (Mid-City CAN) several years later. Many other nonprofits entered the community in the following years and over time City Heights became known for its thick web of nonprofits (Martinez-Cosio and Rabinowitz Bussell, 2013). In the early 1990s the founder of Price Club, Sol Price, established a presence in City Heights and through his private family foundation, Price Charities, he launched an initiative that continues to invest significantly in the physical and social infrastructure of the community. Price Charities partnered with the city of San Diego which has also invested significant resources in the neighborhood. Most recently, in 2010 the California Endowment selected City Heights as one of 14 communities across the state to be part of its Building Healthy Communities Initiative. Designed as a ten-
year comprehensive community initiative, the California Endowment is investing a significant amount of time and resources to support the overall health and quality of life for residents of City Heights. Despite the deep network of nonprofit and philanthropic organizations committed to the well-being of City Heights, serious challenges still exist. As discussed in this section, the socioeconomic composition of the residents contributes to an economic vulnerability that pervades the neighborhood and has given rise to a vibrant informal economy.

City Heights is a dense neighborhood of 70,000 people in 22,383 households. Household size in City Heights is much bigger compared to the city of San Diego overall (3.3 persons compared to 2.6 persons). Compared to neighboring planning areas in San Diego, City Heights has the highest family household density. Density was calculated by dividing the number of households by the total acres in the block group (see Figure 3). Furthermore, over three-quarters of the households (78%) are renters. In 2011, the median family income in City Heights was $34,439 compared to $74,900 for the county. Of the 42 census blocks in City Heights, 95% (40) are identified as low or moderate income (See Figure 4). Corresponding to the significant number of low-income households, 8% of City Heights residents utilize public transportation to commute to work compared to 3.6% citywide and 80% of the low-income residents in City Heights use public transportation.

Looking at race and ethnicity, according to census data from 2012, Blacks represent 12.6% of the total population in City Heights. This is significantly higher than the county total of 5.1%. As shown below in Figure 5, the Black population is most heavily concentrated in the Chollas Creek and Fox Canyon areas in City Heights.
The Asian population represents approximately 16.7% of the population in City Heights, significantly higher than the county total of 10.8%. As shown in Figure 6, the Asian population is most concentrated in Teralta East and the north.

**Figure 5: Black Population in City Heights, 2012**

**Figure 6: Asian Population in City Heights, 2012**

**Source: CUED (2013)**

Hispanics comprise approximately 57.8% of the City Heights population. This is significantly higher than the county total of 32%. Although they have a significant presence throughout City Heights, their greatest concentrations are in the Fairmont Village and Castle neighborhoods as shown below in Figure 7.

**Corresponding to the high levels of racial and ethnic heterogeneity, City Heights is also notable for the linguistic diversity in the community. Over 30 different languages are spoken in the community.** As shown in Figure 8 below, City Heights also has levels of linguistic isolation. Darker colors indicate higher concentrations of households speaking a language other than English at home. These enclaves of linguistic isolation are roughly parallel to concentrations of specific immigrant groups with somewhat lower income levels. This combination of circumstances plus the cultural familiarity with informal economic practice suggest that a high level of involvement in the informal economy is necessary to maintain economic self-sufficiency.
A look at the economic conditions in the community reveals that 87% of the businesses reported less than $1 million in annual sales revenue. Recent statistics indicate that only 322 bank CRA (Community Reinvestment Act) small business loans originated in City Heights, yet there are over 2,000 businesses of which 87% are classified as small businesses under CRA. Furthermore, 97% of the loans originated were under $100,000. The average small business loan made under $100,000 worked out to be only $8,000 in City Heights while in the county the average loan made in low and moderate income tracts was $14,875. Evidence also indicates that there are unique business clusters serving the Hispanic and Asian populations in City Heights. A recent study completed by CUED (2013) found that 47% of the total businesses in City Heights have 2 to 4 employees. Formal businesses are concentrated along commercially zoned streets. However, nearly an equal number of businesses are home-based businesses and located in residentially zoned census blocks (see Figure 9). In calculating numbers of employees per business the residential (in home) businesses were included.
In the primary zip code encompassing City Heights, 43 locations provide banking services. This includes a substantial number of ATMs. Of the 34 ATMs in City Heights, several are located in convenience stores whereas others are located at the site of financial institutions. Furthermore, the neighborhood has many major banks located within its boundaries including Union Bank, Bank of America, and Wells Fargo. As discussed later in the report, a large number of survey respondents indicated that they do not have bank accounts leading to questions about the role of financial institutions in communities with a large number of informal workers and consumers.

This section provided an overview of the socioeconomic characteristics of City Heights and highlights a multiethnic, multi-racial, and multi-lingual community with rich cultural traditions but low household incomes and extremely high rental rates. As discussed in the following review of academic literature on the informal economy, these are attributes commonly found in communities with a thriving informal economy.
IV. LITERATURE REVIEW

While a large body of research focuses on the informal economy in developing countries, it is also important to investigate its presence in the United States since it plays a key role in influencing local economies in urban areas, especially those with a large immigrant population. Past and present research in the United States aims to understand who is involved in the informal economy, the challenges and experiences of those involved in the informal sector, its impact on the economy at large, and its effect on the formal sector (Losby et al., 2002; Schneider and Enste, 2000). In the past, researchers have drawn links between the informal economy and aspects of the formal economy in the United States such as unemployment and social conditions. Much of the literature regarding the informal economy analyzes different characteristics of informal workers, such as gender, legal status, race, ethnicity, language, and class. In order to understand the unique characteristics of a given informal economy, it is necessary to measure and evaluate its presence in relation to the formal economy. This research focuses on the informal economy that exists in the United States in order to help local governments, businesses, and organizations develop and implement policies and programs that address the needs of those involved in the informal sector. This literature review does the following: 1) identify definitions of the informal economy; 2) summarize theoretical frameworks for analyzing the informal economy; 3) identify characteristics of informal economy workers; 4) review methodological approaches for evaluating the informal economy; and 5) present best practices and policies for supporting the informal economy.

Definition of the Informal Economy
The British anthropologist Keith Hart is credited as the first to discuss the concept of the informal economy in the late 1960s when he was analyzing the economies of urban areas in Ghana for the International Labor Office (ILO). It was later used to describe economic activities in other African cities. The World Bank adopted the term and began to use it in several studies measuring labor markets in developing countries. Though informal economic activity was also present in developed countries at the time the term was coined, the term was more commonly used to describe economies in the developing world (Portes and Sassen-Koob, 1987).

The term “informal economy” has been used interchangeably with the terms black economy, shadow economy, entrepreneurial economy, irregular economy, underground economy, and subterranean
The Informal Economy in City Heights

The informal economy, among others. Each term implies and evokes different meanings and feelings respectively. According to Donald W. Light (2004), in the past, the informal economy has been referred to as activity that rests at the margins of the formal economy by offering cheaper goods and services in an unregulated and illegal manner.

While some view the informal economy as an income-generating activity associated with unregulated and perhaps illegal employment, Light (2004) challenges this idea and claims that the informal economy plays a key role in shaping the structure of the formal economy. An important characteristic of the informal economy is that laws often stand in the way between formality and informality, leading several populations to choose to engage in the informal sector whereas others turn to it because it allows them to survive and others seek inexpensive labor (Light, 2004). Informal economy activity in the United States is now commonly defined as legal, but unregulated (Edgcomb and Armington, 2003; Losby et al., 2002).

Building on the idea that the informal economy does not stand at the margins of the formal economy, Williams and Round (2008) claim that the informal economy develops alongside the formal economy and complements it. They define the informal economy as informal work that includes self-provisioning work, unpaid community work, work done by household members for anyone in their households and communities, as well as unreported paid work that is not taxed by the government. Although often viewed in a negative light, the informal economy often allows informal workers to succeed and escape strong government regulation that would otherwise not allow them to advance in the formal economy. Similarly, Schneider and Enste (2000) claim that the shadow economy refers to income that is not reported that would be taxable if reported to the government. Although this income is not reported and is often not identified and considered in official GDP calculations, it contributes to the United States GDP (Schneider and Enste, 2000). In addition, Marcelli et al. (1999) define the informal economy as any activity that allows individuals to generate income that is not regulated by the government.

Gutmann (1977) argues that the informal economy is very large and will continue to grow in response to strong government regulation and as long as tax rates continue to rise. Gutmann describes the informal economy as unrecorded economic activity taken on by individuals who are unemployed in the formal sector but still provide goods and services for cash exchange. The informal economy allows individuals who would not be employed otherwise to generate income. Although measuring the size of the informal economy in the United States is difficult, estimates show that it plays a key role in generating income for informal workers and contributes to the larger United States
economy. Studies show that in 1981, $42 billion was generated in the informal sector and that of every five American families, one was a consumer in the informal economy (Smith, 1987). Between 1960 and 1995, the U.S. experienced a 6% increase in the size of the informal economy. According to Schneider and Enste (2000), two-thirds of the income generated in the informal economy is spent in the formal sector.

Kloosterman et al. (1998) offer a discussion on the definition of the informal economy and the link researchers have drawn between informal economic activity in developing countries and those of immigrants involved in the informal sector in urban settings in developed countries. According to these researchers' work in the Netherlands, they found that immigrants from developing countries undertake much of the activity that occurs in the informal sector in the Netherlands. Thus, some of the informal economic activity these immigrants were involved in before coming to the Netherlands they then continued after they immigrated. Kloosterman et al. also (1998) present definitions other researchers have used in describing the informal economy and claim that due to the complexity of this concept, in order to study the informal economy researchers must determine what aspect of the informal economy will be studied and come up with a set of criteria or rules that will allow one to use it as a foundation and draw from other definitions, but shape it according to time, place, and context. One commonality in definitions of the informal economy is that they are not accurately reflected in official record keeping. Since these activities operated outside of the conventional economy they are more difficult to identify and quantify (U.S. Department of Labor, 1992).

**Theoretical Context**

The literature contains a number of theories that serve to frame our understanding of informal economies. First, we consider theories that emphasize macroeconomic explanations of development. Second, we identify a set of theories developed to explain and predict the rational behavior of individuals and firms participating in capitalist markets. Finally we explore theories focused on government intervention in economic markets. Scholars of the informal economy employ these theories in an effort to identify and understand the different causes for informal economic activity, and to offer insights to remedy any undesirable consequences.

Theories of macroeconomic development serve to contextualize the formal and informal economy. The modernization economic theory explains the socioeconomic Americanization of a given society. In this theoretical framework, people move simultaneously from the poor class of the countryside to the middle class of the city (Huang, 2009).
This relates to theories of urbanization, which hold that this transition to modernization is accompanied by rapid industrialization (Kendall, 2007). The three-sector theory of economics conceptualizes development as an orderly process moving through three sectors: agriculture, industry, and services. French economist Jean Fourastié posits a process of development aligned with the stage of a given country’s development. This process begins with an economy dependent upon agriculture, progressing to an industrial transitional phase, and ultimately arriving at the tertiary phase focused on services (Huang, 2009).

Proponents of the dual economy theory suggest that increased informal activity is due to globalization and capitalism. Social polarization occurs as labor is divided into two categories: high-wage professional jobs and low-wage unskilled jobs. Sociologist Saskia Sassen argues that the dual economy is the cause of mass immigration to the United States, not the other way around. She suggests that immigrants react to opportunities even at the expense of exploitation (Sassen, 1997). Some believe that the dual economy may be beneficial for marginalized groups to attain social mobility because of the entrepreneurial opportunities they provide. For instance, Austin’s (1994) research found that Black street vendors have a support network in the Black enclave in which they operate and keep money within the community by profiting and hiring other Black community members. Social mobility to high informal wages are possible, as observed in the Latino immigrant jardineros, or gardeners, who can make up to six figures in the wealthy suburbs of Los Angeles (Ramirez and Hondagneu-Sotelo, 2009).

Free market theorists argue that labor regulations and laws impede the rational operation of the free market. Neo-classical theory is the accepted modern economic orthodoxy. It essentially holds that individuals make rational choices to reach the most valuable outcome, consumers maximize their utility, and firms seek to maximize their profit (Black et al., 2012). This theory appeals to many political conservatives who tend to believe that minimum wage requirements cause increased unemployment and thwart the creation of jobs. According to proponents of free market theory, labor agreements should be subject to the discretion of both parties involved and free of government intervention. This theory challenges the notion that informal workers are exploited by the system, arguing that a mutually beneficial relationship takes place between employers and employees. Still other theories hold that informal economic endeavors are doomed to fail and should not be encouraged. The Walmart economic theory holds that the recipe for viable economic growth is to begin with a formal firm, as large and productive as possible. The success rate of a firm will be improved by tax, human resource,
infrastructure, and capital economic incentives (La Porta and Shleifer, 2008). However, others define the development of the informal economy as a product of this very practice.

Marxist theorists conceptualize current economic conditions as a result of the development of capitalist markets. A Marxist theory posited by Andre Gunder Frank opposes the theory of economic dualism. In Frank's attempt to turn modernization theory on its head, he argued that imperialism does not inevitably close the economic gap between city and countryside, nor does it provide the country with an economic independence from the city. Conversely, this process creates an internal imperial system, which forces the countryside into becoming economically dependent upon the city (Huang, 2009). Neo-Marxists would contend that, in fact, worker exploitation does take place in the informal economy, and can be seen as a product of capitalism. According to Neo-Marxist theorists, the formal and informal economies are involved in a symbiotic relationship, which is not necessarily of mutual benefit. The informal economy can be a way for marginalized workers to gain capital, however the sector's exploitation of labor makes it difficult for anything more than survival (Castells and Portes, 1989). In this view, the informal economy is necessary for the formal economy to profit, but with negative impacts on the informal workers themselves.

Entrepreneurship and self-employment are the traditional engines of informal economic activity. Therefore, an understanding of what causes individuals to essentially invent their source of economic survival is vital to the study of informal economies. Classic economic theoretical understandings of what causes individuals to become entrepreneurs simply held that those with economic resources and an affinity toward a vocation create their own opportunities to realize this employment path (Light and Rosenstein, 1995). This classic notion would eventually be replaced by new views that consider the roles that discrimination and insufficient economic resources play in the individual's decision to become an entrepreneur (Light and Rosenstein, 1995). Some contemporary theorists argue that since the dawn of market-based economies the discriminatory practices of dominant groups have disadvantaged the competitiveness of members of religious and ethnic groups. Sociologists theorized that this discrimination led members of subjected groups, often relegated to jobs below their skill level, to create their own jobs through entrepreneurship. This expectation that disadvantage in the labor market would encourage self-employment has been dubbed the simple disadvantage hypothesis. Scholars would later combine simple disadvantage with the classic notion's focus on the individual's access to economic resources. This resource-constraint variant removes affinity from the classic formula and replaced it with
disadvantage, holding that disadvantage and resources predicted entrepreneurial behavior (Light and Rosenstein, 1995). The application of the resource constraint variant of the disadvantage theory intends to predict whether an individual will seek informal or formal entrepreneurship. In this way, theorists argue that if an individual is disadvantaged and has access to economic resources, then they will likely create a firm in the formal economy. On the other hand, the resource constraint variant holds that if a disadvantaged individual lacks economic resources, then they will turn toward informal economic endeavors requiring few resources (Light and Rosenstein, 1995). The understanding of this relationship between disadvantage and access to resources is essential to enrich the efforts of policymakers tasked with addressing issues related to informal economic activity, and the livelihood of individuals driven to them in search of economic survival.

To gain a better understanding of informal economic behavior, a broad set of economic theories must be considered. The body of work that we have analyzed to identify relevant theories provides our study with a number of tools to better understand the causes for, and behaviors of, informal entrepreneurship in the City Heights community. Next we consider characteristics of informal workers.

**Characteristics of Informal Workers**

The informal economy is diverse and varies by gender, immigration status, race, ethnicity, and/or location. Losby et al.'s (2002) thorough review of the informal economy literature provides a nuanced and detailed discussion on the unique motivations and characteristics of the different subsets of the population that engage in informal work in the United States. This section is largely based on a summary of their seminal review.

It is essential to consider gender when analyzing the informal economy. For a long time gender was overlooked in the research on the informal economy (Hoyman, 1987; Losby et al., 2003; Nelson, 1999). Additionally, one of the first and only studies that evaluated women's participation in the informal economy (O'Neill, 1983) concluded that women participated in the informal economy at lower rates than men. Since the completion of O'Neill's study, additional research has taken a more nuanced looked at women's informal economic behavior and while the evidence is not conclusive, some, such as Hoyman (1987), surmise that women are just likely to participate in the informal economy, if not more so, than men. Household responsibilities, particularly childcare, correlate highly with increased female participation in the informal economy. While some scholars argue that the informal economy provides more flexibility for women (Berger and Buvinic, 1989; Dignard and Havet, 1995), others argue that women are
drawn to the informal economy because the formal economy fails to accommodate their household responsibilities (Beneria and Roldan, 1987; Moser, 1984).

Additionally, language is often a marker for informal economic behavior and the presence of non-English speakers is frequently correlated with high levels of informal economy activity. For example, an analysis of longitudinal census tract data revealed evidence that those tracts with the highest percentage of non-English speakers contained a strong informal economy (Oviedo et al., 2009). Language often dictates how communication can occur, and those immigrants who do not speak English are often limited to economic interactions with those with whom they share a language.

Related to language, ethnicity is often an indicator for informal economic activity. Research on North American cities with thriving informal economies reveals that these cities tend to have a large number of immigrants. These are not deeply established ethnic enclaves, but rather entryways for brand new immigrants with economic participants who are new to the area and embarking on efforts to establish themselves socially and/or financially (Voicu, 2010). In fact, Oviedo et al. (2009) argue that informality is often the only option for those members of the labor force who do not have opportunities to work in the formal economy. This is particularly true of new immigrants who have not yet had the ability to fully assimilate. Scholars exercise caution, though, in assuming that informal economic activities result from immigrants replicating behaviors from their home country (Losby et al., 2002). In fact, communities with low levels of immigration still have significantly sized informal economies (Portes and Sassen-Koob, 1987). As such, immigrants do not necessarily create informal economies, rather, their concentration in certain areas leads to cheap labor not to mention that communities that house high levels of immigrants need low-cost services and products due to the residents’ low incomes (Portes and Sassen-Koob, 1987).

Regional differences also exist in the shape and form of the informal economy. Informal activity appears in both urban and rural areas, and it is important in both contexts (Losby et al., 2002). Research does indicate, however, that certain forms of informal economic activity are concentrated in urban areas. Sassen, for example (1997) argues that in cities with highly capitalized, specialized services, there is an increased demand for informal labor in the metropolitan core to support these activities. Furthermore, cities with high concentrations of specialized industries, such as interior construction in New York City and the garment industry and construction trades in Miami, also rely heavily on informal workers (Portes and Sassen-Koob, 1987; Stepick, 1984). Different methodological approaches are utilized to collect and
analyze data on the role, function, and impact of these different participants. We discuss these next.

**Methodological Approaches to Studying the Informal Economy**

Research on the informal urban economy has grown significantly over the past 35 years. This has necessitated a consideration of appropriate methods to quantify the scale of its activity, better understand the reasons why workers continue to engage in informal economic activities, and also explore the consequences of this work. Alderslade et al. (2006) identify and evaluate different techniques for quantifying informal economic activity including indirect estimation methods such as the demand for currency and electricity consumption and statistical profiles of the labor force along with direct quantification measures such as household and labor force surveys. Alexandru et al. (2010) examined the relationship between the size of the informal economy as a percentage of official GDP and the unemployment rate using quarterly data from the U.S. Census Bureau for the time period of 1980-2007 in conjunction with statistical models to generate data for the relative size of the informal economy.

Much of the research on the informal economy in the United States is based on qualitative case studies that focus on a specific city or market, and/or a specific subset of the population. Many of these studies use an ethnographic approach, although government data and statistical models are incorporated when available. The majority of case studies have been conducted in large urban areas such as Los Angeles and Chicago due to their diverse ethnic populations and labor markets (Marcelli, 2004; Marcelli et al., 1999; Nee et al., 1994; Raijman, 2001; Rosales, 2013; Valenzuela, 2010). According to Marcelli et al. (1999), cities with large populations and high diversity experience the effects of globalization and economic restructuring more significantly. Changes in economic structure coupled with increased legal and illegal immigration have likely contributed to the rise of the informal economy as an alternative to employment in the formal economy.

A few of the existing studies on the informal economy provide comprehensive comparative analyses of several ethnic groups that often span long time periods and incorporate ethnographic techniques such as in-depth interviews and direct observation along with quantitative data where available. For example, in Nee et al.'s (1994) in-depth study of job transitions within ethnic populations, both quantitative and qualitative data was obtained. To obtain such diverse data, a multiethnic team conducted 134 in-person interviews with Chinese, Filipino, and Korean immigrants in Los Angeles from 1989-1990. Interviews focused on job and residential histories in the U.S. while also capturing qualitative information such as the subjective
life experiences of the respondents in order to better understand the experiences of the immigrant workers and entrepreneurs (Nee et al., 1994).

Many other studies focus on specific ethnicities and informal market sectors such as Hispanic day laborers (Marcelli, 2004; Valenzuela, 2010) and Korean ethnic enclave retail sectors (Raijman and Tienda, 2000) and rely heavily on ethnographic approaches. For example, Raijman’s (2001) research sheds light on the unexplored Mexican population’s participation in informal economic activities in Chicago’s Little Village. The community’s Mexican-born population constitutes more than 75% of the population, with an average residence of 11 years and a low proficiency in English. Raijman reasoned that the reliance upon census data to establish rates of self-employment amongst the Mexican immigrant population underestimated the actual rates of self-employment. This typical focus on visible ethnic enterprise narrows the definition of self-employment to one job per person, and, thus excludes the full scope of economic activities. For example, self-employed (as primary or secondary) informal activities in street vending, house repair and baby-sitting amount to a significant portion of immigrant family incomes. To better understand this community’s informal economic activity, Raijman targeted a random cluster of households in the community to survey the range of economic activity. She identified 85 household members involved in informal self-employed activities. Most of these activities were economically dependent upon the Little Village’s ethnic community. She found that the notion that Mexican immigrant populations are “destined for blue collar and service jobs” is arrived at through the analysis of limited census data, which does not appreciate the actual large amount of self-employed entrepreneurs in this population. Raijman contends that limited access to the formal labor market has compelled Chicago’s Mexican immigrant population to seek informal incomes, to both supplement the income of low-paid formal wages and provide income to those individuals that are undocumented or of low education. Raijman concluded that these informal activities provide the participants with an opportunity to test the markets for a given endeavor as well as build the skills necessary to move their activities into the formal economy.

Qualitative studies utilizing open ended survey instruments and focusing on a small sample size can be effective in capturing the nuances of informal economic activities among specific subsets of the population. Edgcomb and Armington (2003) sought to explore the many dimensions of informal economic activities in urban Latino communities. They assembled 38 Latinos identified as informal entrepreneurs from three communities in New Jersey and New York and utilized an open-ended qualitative survey instrument to conduct their
research. This research was sponsored by the FIELD program of the Aspen Institute which is known for its scholarship on the informal economy with an emphasis on the role of microenterprise programs in assisting informal entrepreneurs. The authors identified reasons why Latino informal entrepreneurs participate in the informal economy. Many are driven by the economic necessity of generating an income in any form possible. Others are drawn to the informal sector due to a lack of opportunities in the formal economy. In addition, many of the survey respondents participate in “patching” – the combining of formal and informal jobs. Edgcomb and Armington (2003) also sought to ascertain attitudes about formalization and found that some of their respondents perceived formalization as desirable and a long-term goal whereas others expressed mixed feelings and articulated concerns about the high costs of formalization.

FIELD sponsored a similar study by Losby et al. (2002) that focused on the informal economic activities of African Americans in two large cities, Baltimore and Chicago. They utilized a similar research instrument and conducted detailed, in-person interviews with 55 male and female informal workers to assess the advantages and disadvantages of working in the informal economy, the reasons why people work in the informal economy, the nature of the informal economy, and the implications of their findings for microenterprise programs. They found high levels of self-employment as well as many instances of patching. They identified a range of reasons for participating in the informal economy including the following: the desire to hide income, the inability to secure formal employment, a preference for economic independence, a dissatisfaction with the formal economy, and a recognition that informal economic activity is often a first step towards formal employment.

While both of the FIELD sponsored studies discussed above relied on relatively small samples, some researchers have conducted ethnographic research with even smaller sample groups. For example, Lopez-Garza (2002) observed and interviewed seven Latina immigrants living in Los Angeles. She focused on the ways in which immigrant Latinas working in the informal economy are able to negotiate public and private space. She found that the informal economy promotes an interlocking system such that public and private spaces converge. This is due to the flexibility required of informal workers, including activities such as taking their children to work, working from home, and working multiple jobs for low wages. This organization of space comes from the nature of the work—low-wage workers need to feed their families and spend time with them, all while trying to provide them with a better life. It is in this way that the public and private spheres overlap, at the expense of informal economy workers who are left with the difficult task of negotiating that space.
Another useful study considers conceptualizations of entrepreneurship from the perspective of day laborers. Valenzuela (2010) contends that the exclusion of day laboring from typical classifications of entrepreneurship is a flaw in existing scholarship. He posits that Latino unauthorized and immigrant day laborers are entrepreneurs. Valenzuela supports his argument with empirical evidence derived from research of the Los Angeles day labor market. The research derived from the Day Labor Survey conducted in 1999 during which close to 500 day laborers were randomly surveyed and interviewed at 87 different hiring sites in Southern California. Based on his findings, Valenzuela argues this occupation is an enterprise deserving of the entrepreneurial tag. Further, he contends that characterizing this job category as such will further consideration of all “bottom-of-the-barrel” jobs as self-employed enterprising activities. Valenzuela supports his argument that day laborers are entrepreneurial through three main threads: 1) The ease of hiring day laborers—to fill in for sick workers or perform less desirable jobs—occupies a supply and demand niche vital to the construction market in the Los Angeles region; 2) The presence of either internally developed or semi-formal work-site regulations and practices; and 3) Day laborers employ the same value of autonomy from outside employer control as that of traditional self-employed counterparts. Valenzuela concludes with an application of disadvantage theory to his findings and explains that an individual disadvantaged in either resources or the (formal) labor market will become a “survivalist entrepreneur.”

Given the incomplete understanding of the many dimensions of informal economic activities, a range of methodological approaches are needed. We contend that all approaches, both micro and macro as well as quantitative and qualitative are important and contribute to our understanding of the informal economy. Furthermore, given the evidence of high levels of informal economic activity, it is important to consider the public policy implications and responses.

Policy Responses to the Informal Economy
Research has identified both advantages and disadvantages to working in the informal economy for both workers as well as the larger population. The findings are based on specific examples from different cities across the country. Many jurisdictions, for example, are grappling with the challenges of informal vendors. As such, Rosales (2013) argues that it is imperative to address the impact of local policies on informal workers. She focused on immigrant fruit vendors because the fruit vendors face severe risks. Due to these policies and anti-vendor regulations, these types of informal economic activity will not allow for mobility, and thus the correct infrastructure to grow the industry. She argues that immigrant fruit vendors face greater challenges than other immigrants involved in different informal
economic activity, such as gardening (Rosales, 2013). In order to survive in the fruit vending business, vendors rely heavily on their social networks, which results in the formation of a common identity. These networks serve as a financial safety net for many and allow other immigrants to begin their own fruit vending businesses (Rosales, 2013). In addition, these networks also work to communicate information to other vendors about crackdowns, which are very costly, so that they are successfully avoided (Rosales, 2013).

Many cities have policies in place designed to regulate the actions of business owners and vendors in their respective regions. These government regulations, which include licenses, permits, and Department of Health approval, serve to ensure consumer health safety and business ethics. Compliance with these government regulations, which vary between states and cities, differentiates those participating in the formal and informal economy. Following are specific case studies of major cities in North America that directly addresses the informal economy, and their respective city policies.

Some cities have promoted programs and policies to assist informal workers. Portland, Oregon, for example, recently developed a successful site for immigrant Latino entrepreneurs. According to the 2010 U.S. Census Bureau, the Portland metro region is home to over 240,000 Latinos, making up nearly 12% of the region’s population. At the same time, studies by the City of Portland show that 26% of Latino families currently live at or below the poverty level. Despite high levels of poverty, the Latino community in Portland contains many strengths and assets. Many Latinos have experience from their home countries running small businesses and have high levels of entrepreneurial skill and drive. However, due to barriers of language, culture, and financing, these skills and drive remain an untapped resource for many immigrant families in the region. The Portland Mercado, also known as El Mercado Latino de Portland, is slated to open in 2014 is designed to respond to the economic needs of immigrant Latino families and combines elements of indoor public markets and farmers' markets in the U.S., Canada and Europe with a Latin American open-air market environment (Portland Mercado, 2013). The Mercado entrepreneurs offer a mix of goods and services, including culturally specific prepared and fresh foods and fresh produce. In addition, the Hacienda Community Development Corporation (HCDC) is a trusted advocate for the low-income Latino community and is promoting the Mercado as a safe, legal, and reliable place to find goods and services (Portland Mercado, 2013). This role made possible Hacienda’s successful application for a federal grant of nearly $800,000 for the construction of the Portland Mercado (Portland Mercado, 2013). Hacienda CDC and their investment partners will initially own the business, land, and building
via a limited liability company (LLC). Over time, however, the HCDC anticipates that the Mercado tenants will buy ownership of the LLC as well. This will complete the economic development cycle and will place this valuable asset in the hands of the community operating the Mercado.

In other cities, significant barriers make it challenging for vendors to sell their goods. In the city of San Diego, for example, vendors must complete a thorough application. When submitting a solicitor application, each vendor must also provide a completed police permit application and business addendum, a copy of the Business Tax Certificate obtained from the City Treasurer’s Office, a complete Live Scan Fingerprints, a $104.00 investigation fee, a $54.00 regulatory fee, and a photo ID card that costs $15. For vendors intending to sell food items, a health permit must also be obtained (City of San Diego, 2013). This level of business approval is not uncommon. According to the U.S. Small Business Administration, street vendors and peddlers must obtain the following four permits from their respective state’s government revenue agency: sales tax permit, tax certificate, general business license, and an additional vendor or peddler’s license (U.S. Small Business Administration, 2011).

New York City is another example of a challenging environment for vendors. In 2008 Mayor Michael Bloomberg passed Local Law 9 which established a system of 1,000 permits for Green Carts in the city. Green Carts are mobile food carts, similar to food or vendor carts seen in the informal economy, which sell raw fruits and vegetables in designated areas. The system only issues 1,000 permits per year, and all other applicants in compliance are put on a waiting list. Furthermore, prior to approval for a license or permit for food vending, vendors are required to attend a Food Protection Course for Mobile Food Vendors, which costs between $50-$75 and may be completed over the course of two days (U.S. Small Business Administration, 2011). As a result of the limited availability of permits, and the cost (both monetarily and time) to obtain the proper training to participate as a food vendor in the formal economy, it is easy to see why many street vendors operate in the informal economy, outside of tax evasion strategies.

Currently, Los Angeles is the only one of the ten largest cities in the United States that does not have formal regulations for informal economy street vending. Vendors face fines up to $1,000, imprisonment for six months, and risk the confiscation of their entire carts/businesses (City of Los Angeles, 2013). The City estimates the existence of 10,000 street vendors in Los Angeles, many of which are undocumented (Rosenberg, 2012). In 1994, the City of Los Angeles permitted an amendment to the sidewalk vending ordinance that
allowed a few street vendors to formalize their business. However, the amendment required 20% of adjacent property owners to sign petitions to approve of the vendors. Furthermore, vendors had to remain at fixed locations. The few street vendors that formalized under the amendment faced many challenges. The first was that illegal vendors easily undercut their prices, and second, the cost of formalization and permits was too high. Thus, the city rescinded the amendment, contributing to the lack of legal vending zones in the city (Rosenberg, 2012). Subsequently, in 2012 L.A. City Councilman Ed Reyes spearheaded a movement to consider the creation of a specialized weekend market for street vendors. However, the market requires vendors to undergo training and licensing, costing $500 in total fees. This plan has been met with trepidation, as many illegal, undocumented vendors would rather face the $1,000 in fines if caught, than to legalize. As a result, of the 120 available slots at the weekend mart, only 80 vendors signed up (Medina, 2012).

These examples illustrate the complexity surrounding the informal economy. Some activities are perceived as threatening to existing, formal businesses and others raise concerns about health and safety. Yet as the literature demonstrates, for many very low-income households, particularly immigrants, the informal economy is a necessity and serves as a main source of income generation as well as a site for the purchase of low-cost goods and services. The next section introduces the research conducted for this study and describes the methodology that was developed to collect data about the nature of the informal economy in City Heights.
V. METHODOLOGY

In May and June of 2013, a team of researchers from the Center for Urban Economic Design and the Urban Studies and Planning Program at UC San Diego administered a survey to residents of City Heights. The survey was designed to investigate the ways in which residents of City Heights participate in the informal economy both as consumers as well as workers. The goal was to ascertain the shopping and employment patterns and attitudes of a diverse cross section of the community's population.

The survey was developed based on a review of the literature on the informal economy, as summarized in the previous section, and in consultation with representatives from community-based nonprofits that work with residents in City Heights including City Heights CDC, the Environmental Health Coalition, and Asociacion de Liderazgo Comunitario. Consultation with local nonprofits was invaluable as this shaped the tone and content of the survey. The literature review was used to identify best practices in informal economy research and examples of survey instruments. The review of the literature revealed that the majority of survey research on the informal economy focuses on one racial group or one gender. Few, if any studies, are designed to capture the variations and patterns among residents of multilingual, multiethnic communities. Given the diversity present in City Heights, the research team wanted to examine larger trends among the community rather than isolate one particular subset. The objective of the study was to understand informal economic activity from a holistic, multi-dimensional perspective. Unlike other studies that preselected for known participants in the informal economy, this study included both known participants in the informal economy as well as randomly selected community residents.

The survey was organized into three sections. The majority of questions were closed-ended and many of them asked participants to rate their responses using a Likert scale approach. The first section of the survey addressed shopping behavior in City Heights and contained questions designed to identify and differentiate between residents' different shopping behaviors and preferences in the formal and informal economy. This section of the survey contained a list of goods and services and asked participants to identify whether or not they used either the informal and/or formal economy for these purchases. Options ranged from car repairs, to the purchase of groceries and clothes, to medical services. Participants were also asked to identify the types of goods and services that they mainly purchased using cash
with the assumption that the use of cash is both a characteristic of the informal economy as well as a potential indicator of informal economic activity.

The second section of the survey was designed to assemble the demographic composition of the participants. Participants were asked about their age, gender, ethnicity, primary language spoken at home, household size, housing tenure, and location of their housing. The third section contained questions designed to identify those participants that operated their own business and/or participated in informal employment activities. Participants were asked about their primary sources of income and whether or not they had side jobs or informal businesses. They were also asked about their interest in starting their own business and if so, the type of business they would like to start and the barriers preventing them from embarking on their own business operation. Given the sensitive nature of the questions included in the final section of the survey, participants were informed that they could leave questions blank if they were uncomfortable providing a response. Despite the research team’s concerns about residents’ willingness to share sensitive information, as a whole the participants were enthusiastic and forthcoming. A complete copy of the survey is included in the appendix at the end of this report.

The research team randomly administered 112 surveys to residents of City Heights and 104 of these were complete and valid and are included in the data analysis. Given the diversity of the community, the research team strategically selected sites that would maximize their interaction with a wide cross-section of the community. The goal was to administer the survey to both men and women across a range of ages, races, ethnicities, and immigrant status. The survey was prepared in both English and Spanish. The survey was administered at four separate locations on four separate occasions. The survey sites included the weekly City Heights Farmers’ Market, a local Asian grocery store (Vien Dong), a social service organization for African residents (the Horn of Africa), and the weekly meeting for a women’s microenterprise group run by a social service organization that predominantly provides medical services but also works with residents on economic opportunity initiatives (La Maestra). A small number of surveys were also administered at individual sites throughout the community. All survey participants were provided with the following verbal and written definition of the informal economy: “The informal economy is a term used to refer to operating a business informally and being paid in cash by an employer or customer. It is also used to refer to shopping and paying for an item or a service in cash.” Upon completion of their survey, all participants were compensated with a $5 gift card to a local retail establishment. A team of undergraduate students from the Urban Studies and Planning Program at UC San Diego
was trained in survey administration and was present at all four survey sites to assist participants complete their survey. The next section presents the research findings.
VI. RESEARCH FINDINGS: THE INFORMAL ECONOMY IN CITY HEIGHTS

This section contains an analysis of the study's main findings addressing both consumer behavior and worker behavior. As the data analysis reveals, the informal economy in City Heights is alive and well and is an integral component of the neighborhood’s larger economic structure. It is highly valued on both an individual basis as well as a community resource. From a consumer behavior perspective, it is frequently used for the purchase of goods and services. Given the nature of the survey design and the fact that informal economy workers were not specifically targeted for inclusion in the study, we are less able to draw conclusive findings about the role and function of workers in the informal economy in City Heights. The survey results indicate that a sizeable number of residents surveyed work in the informal economy, but more research is necessary to further explore this phenomenon.

As discussed in the methodology section, the survey was administered at multiple locations with the goal of sampling a cross section of the population. The section below provides a demographic profile of the survey participants.

Demographic Profile of Survey Respondents

The survey was successfully administered to a representative cross section of the City Heights community. While a few children completed the survey (8.6%), the majority of participants (56.7%) were between the ages of 31 and 59. An additional 17.3% were between the ages of 19 and 30 and 13.5% were 60 years old or older. The gender distribution was skewed towards women with 70 women (67.3%) completing the survey compared to 28 men (26.9%). Since one of the survey sites was the weekly meeting of a women’s microfinance group, this undoubtedly impacted the gender balance of participants.

The survey sample reveals a population diverse in terms of race, ethnicity, and primary language spoken at home. Of the 73 respondents who identified their race or ethnicity, 9.6% are African, 4.1% are African American, 19.2% are Asian, 9.6% are White, 35% are Hispanic, 1.4% are Native American, and 8.2% are other races including people of mixed racial and ethnic heritage. Corresponding to the racial and ethnic composition of the respondents, the primary language spoken at home also reveals a high degree of diversity with

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2 Since some participants did not respond to all of the questions, several questions do not have a 100% response rate.
38.4% primarily speaking Spanish at home, 28.8% primarily speaking English, 5.8% primarily speaking Somali, and 3.8% primarily speaking an Asian language (Vietnamese or Burmese). In addition, 7.6% indicated that they are bilingual and an additional 11.5% selected “other” as the primary language spoken at home.

Reflecting the demographics of the community, the majority of survey participants are low-income renters. Of the 104 respondents, 74% indicated that they are renters and 20.1% are homeowners. Additionally, 21.3% of the respondents indicated that they rent out a room in their home as a source of income, including 18% of the renters. Rental income is most likely a valuable addition to household income for these City Heights residents since 70% of the respondents reported that their average household monthly income is $1,500 or less, with 27% reporting an average household monthly income of $1,000 or less. Furthering confirming the economic challenges of City Heights residents, when asked to enumerate the number of household members who contribute to household income, respondents reported a range from one to eight people with an average of 2.1 people per household contributing to the household income.

Consumer Behavior
The findings reveal a fluidity of consumer behavior between the informal and formal economy in City Heights. In fact, the participants’ responses indicate high levels of overlap in their usage of the informal and formal economy for the purchase of goods and services (see Figures 10 and 11).
The majority of respondents indicated that they purchase fruits, vegetables, and other groceries either sometimes or always in the informal economy. We found that 87% of those surveyed purchase their produce from the informal economy either sometimes or always, and 78.1% indicated that they purchase their other groceries from the informal economy sometimes or always. We also found that 65.3% of the respondents purchase food from street vendors on occasion. Given the high number of respondents surveyed at the City Heights Farmers' Market, this likely contributed to high rates of respondents indicating their use of the informal economy for food purchases. Furthermore, respondents apparently view the Farmer's Market as an informal site for food purchases, most likely because the transactions are predominantly done using cash. Of particular note is one potential reason why respondents use the informal economy for the purchase of their groceries. A remarkably high 84.7% of participants indicated that they purchase their food and groceries within walking distance of their home. Proximity, and likely affordability, contribute to the utility of the informal economy in City Heights.
The informal economy in City Heights

Informal vendor activity
Source: Jim Bliesner

Selling fruit from a truck
Source: Jim Bliesner

The survey also revealed the high use of the informal economy for the purchase of clothing. We found that 87.8% of the participants surveyed purchased clothing either sometimes or always from the informal economy. A closer look indicates that many respondents purchase clothing from yard sales and/or thrift shops. The research found that 65.3% of the respondents purchase clothing from yard sales either sometimes or always.

Survey participants purchase services from the informal economy at a rate comparable to their usage of it for the purchasing of goods. The research found that 77.6% of the respondents use the informal economy either sometimes or always for appliance repairs. A comparably high 71.6% of respondents get their car repaired in the informal economy either sometimes or always. Similarly, 65.8% of respondents reported that they use the informal economy sometimes or always to get their home repairs done. The results also reveal that a sizeable number of respondents, 47.4%, get their hair and/or nails done in the informal economy either always or sometimes.
In looking at the usage of the informal economy for family health and well-being services, the findings are less conclusive. We found that only 36.8% of the respondents get child care services in the informal economy. However, since respondents were not asked to identify the number of young children in their household, the results could be affected by relatively low numbers of participants with young children. Of interest, though, is the high rate (60.3%) of respondents who indicated that they get medical services in the informal economy either sometimes or always. A closer look at their responses reveals that some respondents use local healers for medical care whereas others go to Tijuana for medical care. The findings on informal medical services in City Heights are inconclusive because they do not definitively provide information on informal medical services available within City Heights itself.

Informal economic activity is often defined by the use of cash to complete transactions. The participants in this study demonstrated a strong reliance on cash to purchase goods and services. Participants were asked to identify those items and services for which they mainly used cash, and 40.4% reported that they primarily used cash for auto repairs. Over half of the respondents, 54.8% indicated that they primarily used cash for beauty services such as getting their hair and nails done. Close to 40% of the participants primarily use cash for home repairs, and similarly, 33.7% reported that they primarily use cash for appliance and computer repairs. Childcare services and medical care are also frequently paid for with cash (30.8% and 38.5%, respectively). The participants in the study demonstrated a strong tendency to use cash for the purchase of basic goods such as groceries and clothing with 42.3% reporting that they primarily use cash to purchase clothing, 70.2% primarily use cash to purchase fruits and vegetables, and 56.7% primarily use cash to purchase other
groceries. The data on fruit and vegetable purchases requires additional research as we believe that the findings are skewed by the fact that close to 50% of the surveys were administered at the City Heights Farmers' Market.

While we cannot assume that all cash purchases in City Heights are done in the informal economy, the findings on cash utilization provide insights on residents' financial constraints. In addition to enumerating the frequency with which cash is used for specific types of purchases, survey participants were also asked to identify the different reasons why they use cash to purchase goods and services. The findings are revealing with 44.2% responding that it is cheaper to use cash. Over one quarter of the participants, 26.9% noted that they use cash because they do not have credit cards. An additional 21.2% indicated that they use cash because they do not have a checking account. Close to one-fifth of the respondents (19.2%) reported that they pay cash for goods and services because they do not like to pay extra taxes. The survey did not explore the ways in which cash is leveraged in the community such as the use of payday loans and check cashing services. Future research should consider this in more depth since access to capital is critically linked to business opportunities and expansion.

The survey results clearly reveal that the respondents view the informal economy positively. We found that 83.5% of the survey participants agree that the informal economy is useful to them. Additionally, 90.9% of the respondents agree that the informal economy is an important part of their community.

**Worker Behavior**

In addition to assessing the utility of the informal economy for the purchase of goods and services, the survey was designed to begin to ascertain the ways in which residents of City Heights participate as workers, and perhaps even employers, in City Heights' informal economy. Participants were asked if any members of their households have side jobs or informal businesses and 29.3% indicated that this was the case. We also found that 14.9% of the residents surveyed indicated that they worked a side job in addition to their primary job. Importantly, when asked to identify the main source of their income, the majority (66.6%) identified the formal economy. However, 15% of respondents noted that the informal economy and/or side jobs serve as the main source of their income and additional 15% of the respondents noted that the informal and formal economies contribute equally to their income.

The survey also contained questions designed to shed insights on the entrepreneurial culture in the community. A striking 74.2% of
respondents indicated that they would like to own their own business. When asked to identify the type of business they would like to own, the respondents provided a range of options including restaurants and other food-related businesses along with clothing and jewelry stores, massage establishments, gyms/fitness establishments, and photography studios. For those residents interested in owning their own business, we asked them to identify challenges preventing them from achieving this goal. A significant 94.2% of all respondents interested in owning their own business indicated that they need more money in order to realize this goal. In addition, 29% responded that they did not have enough time to start their own business and 29% also indicated that too many regulations were a barrier to their business creation goals. Of note is that 40.6% of those residents interested in starting their own business identified their lack of knowledge on business development as a challenge to owning their own business.

Overall, the findings reveal a robust informal economy in City Heights that serves consumers as well as workers. Cash transactions are common and residents perceive the informal economy in a positive light, noting its value for their individual needs as well as larger communal needs. The findings also point to a strong entrepreneurial culture in the community with a high rate of interest in small business development. This, however, is constrained by a variety of factors including access to capital, lack of time, and lack of knowledge. This leads to the importance of identifying mechanisms to support informal entrepreneurs and help them achieve sustainable employment that enhances individual quality of life as well as the quality of life and economic base of the larger community. The next section identifies potential policy solutions and recommendations for the City Heights community.
Given the prevalence of, and support for, informal economic activities in City Heights, it is important to consider appropriate strategies and policies for supporting individual needs while simultaneously considering the long-term interests of the community and strategies for enhancing a sustainable, diverse, and vibrant local economy. As such, we conclude with a discussion on best practices and policy recommendations relevant to City Heights. A review of best practices covers a range of topics. As discussed in this section, numerous policies and practices from other cities are germane to City Heights.

Best Practices
Consideration of best practices should begin with the acknowledgment that there are many benefits associated with the informal economy. For example, accurate measurements of the informal economy are advantageous because they identify uncollected taxes and they support the ability to quantify informal economic activity and arrive at a more precise GDP. As Alderslade et al. (2006) note, efforts to estimate and quantify U.S. tax revenue losses from activities that take place in the informal economy range from $195 billion to $255 billion. They argue that not only are there direct benefits to the government to identify and tax these activities, but identification of the range of local economic activity in any given community could serve to attract new investment and identify the obstacles that prevent the small, informal businesses from entering the formal market. It could also lead to interest from mainstream lending institutions that then might enter the community and provide valuable capital to local informal entrepreneurs. Towards this end, numerous efforts are underway to quantify these activities.

Social Compact is one of the organizations at the forefront of pioneering innovative research to analyze inner-city markets with the end goal of promoting investment in low-income communities. A nonprofit, nonpartisan coalition of business leaders, for over the past 15 years it has utilized the “DrillDown,” a methodology designed to use a variety of market data to provide accurate economic analyses of neighborhood markets that can be used to catalyze private investment by demonstrating the market potential that exists in these overlooked and underserved communities. DrillDowns have been conducted in over 300 urban neighborhoods across the country and the findings are compelling. They have provided more accurate tabulations of population and income in addition to capturing retail leakage and the size of the informal economy (Social Compact, 2008). It would be of
value to commission a DrillDown for City Heights, particularly since DrillDowns also assist in the identification of barriers to the formalization of informal economic activity.

Small businesses that operate in unregulated informal economic environments face the following barriers to access: poor financial literacy, poor facilities, lack of bank branches and access to small business loans. Regulatory barriers are also often present and can include health standards and bureaucratic processes that require time and resources to secure a business license (Alderslade et al., 2006). Importantly, informal economic activity is not singularly driven by the objective to avoid taxes and public sector regulation. On the contrary, in many instances survival dictates the form and shape of economic activity in the informal sector. As Katungi et al. (2006) note, people typically engage in informal economic activity out of “need not greed.”

Efforts to rethink policies and investments in the informal economy are taking shape at different levels of government in the developed world. We identify several of these efforts as a starting point for City Heights’ stakeholders to consider. In Durban, South African, the city is developing a regulatory framework and more supportive business climate to assist informal entrepreneurs. This includes identifying permanent sites for street vendors, charging fees in lieu of taxes to use these sites, streamlining the business registration process, and providing assistance with financing and market development (Alderslade et al., 2006). In Mexico City an administrative system was put into place to permit certain locations for street vendors and provide short training programs for those vendors who sell food (Alderslade et al., 2006). In New York City, a study spearheaded by Fleet Bank (now Bank of America) was able to document that Harlem had an unreported informal economy in excess of one billion dollars, accounting for 10 percent of the total neighborhood economy. This was subsequently used as the justification for Fleet Bank to open two bank branches and three ATMs in Harlem (Social Compact, 2008).

Business incubators have also proven to be potentially successful tools for microentrepreneurs in the informal economy. While business incubators are known for their success in the formal economy, particularly with high tech and biotech start-ups, the model has also demonstrated efficacy in the informal sector. Numerous examples exist, although many of them have not been adequately disseminated. The Neighborhood Development Center in St. Paul, Minnesota is a well-documented example. NDC is a nonprofit, community development organization whose mission is to promote comprehensive community economic development including business development. While many of its clients operate formal businesses, because they serve low-
income communities and are often first-time entrepreneurs, they require a range of services. In 1998 NDC launched a two-pronged marketing effort focused on cluster marketing. It identified clusters of firms targeting the same customers and then marketed the clusters to organizations supportive of inner-city business development including government, the nonprofit sector, and foundations. One cluster, for example, focused on wedding-related services. NDC in essence became a marketing agent for these business clusters (Nelson and Carpenter, 2001).

NDC also promoted geographic and thematic clustering through the creation of the Cooperative Mercado Central. The Mercado is an indoor mini-mall located in South Minneapolis that was originally designed to be a business incubator for 43 Latino-owned businesses. It experienced challenges early in its development, but it eventually evolved into the Midtown Global Market. Located in a historic structure, the former Sears mail-order catalog center, this large building encompasses over one million square feet of space that was redeveloped into a mixed-use complex of residential, retail, and commercial uses. The Midtown Global Market occupies the ground floor and serves 40 entrepreneurs who sell food, clothing, and ethnic items. The businesses receive support from NDC. In 2008 a small stall was set aside as shared commercial kitchen space and this gradually evolved into a much larger space used by caterers and professional chefs (Neighborhood Development Center, 2013).

NDC offers a range of support services for local entrepreneurs with the end goal of assisting them with the creation of a long-term and sustainable business plan. Its training programs are available in five different languages. Graduates of NDC's training programs are eligible for a range of services including pro-bono legal assistance, reduced rate accounting services, professional consulting services, and access to small business loans (Neighborhood Development Center, 2013).

A similar effort, albeit on a smaller scale, was recently launched in Los Angeles. The Thai Community Development Center, a nonprofit community-based economic development organization located in East Hollywood started work on a public market with commercial grade kitchens for new entrepreneurs. The goal was to provide local entrepreneurs small business opportunities and create jobs for community residents. Not only does it currently provide 40 jobs and support 18 food, retail, and artisan small businesses, but it provides healthy, affordable, culturally appropriate foods to the residents of East Hollywood while at the same time promoting cultural tourism in the community (Thai CDC, 2013).
The Thai CDC's public market offers a path to formalization, and similar efforts exist in other cities. A study of self-employed microentrepreneurs in London utilized semi-structured interviews to develop policy recommendations to promote pathways to formalization. These recommendations include the provision of more business support and financial resources to enable informal businesses to transition to the formal economy along with targeting marketing and PR campaigns to encourage formalization. In conjunction with these recommendations, the report called for adjustments in taxes and benefits and suggested a rebalancing of the "carrots v. sticks" approach that would promote a "nothing to lose" approach to starting and developing a business in the formal economy by offering reasonable debt repayment periods for microentrepreneurs while also ensuring protections and gradual tapering of public sector benefits rather than an immediate loss of them (Llanes and Barbour, 2007).

Another best practice can be found in Chicago where organizations such as Neighbor Capital and Streetwise have secured an ordinance that allows vendors to be mobile and to sell fresh vegetables. A pilot program was launched lasting until December of 2013 with unlimited vendors on private property and 30 mobile vendors paying a fee of $75 annually. Licensed produce vendors may now legally sell "whole and uncooked agricultural, plant-based items, including, but not limited to, fruits, vegetables, legumes, edible grains, nuts, spices, herbs and cut flowers" on moveable stands as a result of an ordinance passed by Chicago's City Council (Coorens, 2012).

In support of the program, the nonprofit Neighbor Capital provides individuals an opportunity to lease carts, provides support to the lessees and provides a product sourcing channel. Using a social-impact business model, they help the under and unemployed establish their own businesses. The goal of the program is to: 1) Improve health and wellness for individuals in traditionally underserved communities; 2) Improve and create jobs for individuals with employment hurdles, and; 3) Improve the environment and promote healthy green space (Coorens, 2012).

A discussion on policy recommendations would be incomplete without consideration of the success of microlending programs. Microfinancing is a popular approach that has been lauded for its international success. First popularized by Muhammad Yunus through his now famous Grameen Bank in Bangladesh, microfinance (also referred to as microlending) offers a pathway for informal workers at the very grassroots, micro level to build their businesses to self-sufficiency. The micro entrepreneurs join lending circles that provide peer support and a mechanism for accountability. The model has been transferred to developed countries and modified accordingly to meet the needs of,
and operate within the parameters of the prevailing economy. In the United States, FIELD, an arm of the Aspen Institute, is a rich repository of research and resources for the microenterprise industry in the US. Through its recent analysis it found that over 360,000 individuals were served by the microenterprise industry in 2011 for a total disbursement of $175,450,868 in microloans ranging in size from $300 to $50,000 with an average size of $15,832. In 2012 a total of 816 microenterprise programs were in operation and provided loans, training, and technical assistance. Business development assistance comes in many forms including business training and technical services, access to market services, technology services, credit and tax services, and other forms of support. Of the micro entrepreneurs served in 2011, 56% were women, 58% were people of color, and 71% had household incomes at or below 80 percent of the HUD median for their area (FIELD, 2013).

Through its numerous studies, FIELD (2013) has illustrated the range of transitional assistance that consumer use. Credit products include:
- Microloans
- Credit builder loans
- Micro grants
- Micro equity
- Small business loans
- Individual Development Accounts

The range of technical assistance provided includes:
- Direct technical assistance
- Training
- Mentoring
- Financial literacy
- Credit counseling

Access to market assistance includes:
- Technical Services
- Business incubator
- Tax preparation
- Case management

Some of these services are available in the City Heights area through organizations such as the International Rescue Committee, La Maestra Clinic and ACCION. It is the experience of these organizations that while the resources are available, informal economy participants experience barriers to accessing this assistance. The expertise of these organizations should be leveraged and serve as the foundation for a range of new policies and programs informed by the experiences of other organizations in the developed world that have implemented programs to support and enfranchise informal entrepreneurs. The findings presented in this report indicate that very low-income
persons in City Heights rely on and support the informal economy for fairly basic needs including clothing, food, automobile repairs, and appliance repairs. Of those surveyed, 87% use the informal economy for purchasing produce and 75% purchase food from street vendors. Residents with formal sources of income utilize the informal economy as a form of subsistence. The survey also revealed that close to 15% of those surveyed work a side job in addition to their primary job and close to one-third of the respondents reported that at least one member of their household works at a side job or had their own informal business. Additionally, 15% of the responded indicated that they rely fully on income from the informal economy. Given this reliance on the informal economy, the survey also revealed that the majority of respondents live in low-income households.

City Heights is a community that demographically mirrors those conditions in both the U.S. and abroad that portent the necessity of an informal economy. In City Heights ethnic pockets of exchange are accessible for Hispanic, Asian, and to a lesser extent, East African immigrants. Immigrant populations both originate and participate in the multicultural market of the informal economy. As such, in some ways the informal economy serves to facilitate cross-cultural dialogue based on necessity.

The enthusiastic endorsement and utilization of the informal economy in City Heights suggests opportunities for expansion, nurturing, and formalization. Survey respondents overwhelmingly endorsed this expansion. Over 75% of the respondents indicated that they would like to own a business with a majority of the desired businesses responding directly to existing uses of the informal economy such as food, retail, and service provision. Many respondents indicated an interest in developing a food-related business. In City Heights we see that residents want to increase access to basic needs at affordable costs. However, they indicate that they need time, money, and education to achieve these economic goals.

Of the best practices that were identified, we found that City Heights currently supports three model programs that are housed in local nonprofit organizations: La Maestra Clinic, the International Rescue Committee (IRC), and ACCION. The La Maestra program provides business training, individual development accounts, loans, and financial literacy for low-income entrepreneurs. The IRC program is focused on immigrant needs and includes a range of credit products as well as technical assistance in business development. Microloans are also provided by Accion San Diego. These three organizations offer programs that are similar to the programs and products endorsed by the Aspen Institute as being essential for the movement from the informal to formal economy. However, local need in City Heights
outstrips the availability. Systems for linking emerging businesses to these resources can be enhanced as part of a comprehensive strategy.

An obvious characteristic of the informal economy in City Heights is its separation from formal systems and an inability to access these systems. For example, there are few street vendors working in City Heights in spite of the fact that over 75% of survey respondents have frequented street vendors for food. A review of street vendor permitting requirements in San Diego includes a $5,000 permit fee, a formal link to an existing stationary business, and clear description of the space to be utilized, along with the dimensions of the cart. A second example is the use of banking services in the neighborhood. Five major bank branches are available in City Heights with a larger number of ATM machines, payday lenders, and pawnshops as well as a number of informal lending systems. Yet according to our survey, access to capital (either borrowed or earned) was identified as the primary obstacle to formalizing a business in City Heights. Finally, many home-based businesses exist throughout residential areas in City Heights, yet zoning for home-based businesses only exists in fairly restricted locations which are primarily zoned for business. Commercial zoning in some areas such as Azalea Park allows both residential and business use in the same building. Nevertheless, large numbers of home-based businesses exist in single and multifamily residential zones but they are currently classified as a nonconforming use. Allowing these businesses to become legal through zoning overlays may encourage additional economic growth. Facilitating linkages between the informal economy and this large formal business system could be beneficial as well.

In summary, if it is a reasonable goal to attempt to grow the informal economy as a deliberate economic development strategy then a number of policy and program initiatives might be appropriate. We conclude with a list of recommendations for supporting pathways to formality for the informal economy in City Heights.
Policy and Program Recommendations Regarding the Informal Economy in City Heights

1) Develop an informal economy oversight coalition that includes service providers, policymakers, and local informal entrepreneurs.

2) Implement a strategy to link informal businesses with formal businesses through the City Heights CDC Walk and Shop efforts.

3) Implement a comprehensive strategy to link informal businesses with microlenders and technical assistance providers.

4) Commission a DrillDown of City Heights to accurately quantify current and potential informal and formal economic activity.

5) Develop community support to modify street vendor permitting procedures and fees in designated areas of City Heights, including allowing mobility throughout the designated area.

6) Develop strategies to expand the distribution of healthy foods, including fruits and vegetables, through the street vendor economy model.

7) Explore the potential for a live/work/informal economy overlay zone with the community planning group, to “legalize” informal economic activities in residential areas.

8) Identify and organize informal economic service clusters to create opportunities for expansion, training, capital access, legislative consent, and marketing efforts.

9) Explore opportunities and potential participants in a community kitchen business incubator as part of the overall Walk and Shop strategy and funding.

10) Analyze and advocate to local “government assistance” programs for positive inducements for informal economy entrepreneurs.

11) Encourage and fund basic bank-based financial education efforts through local nonprofits.

12) Support efforts underway to encourage local farming linked to local market and resale opportunities (including restaurants and street vendors).

13) Encourage the design of stations for strategic placement of vendors throughout the Walk and Shop zone.
VIII. REFERENCES


IX. APPENDIX