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Study of
the Informal
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Sector

Poland

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GEMINI

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Study of the Informal Commercial Sector Poland

by

SMG/KRC Poland

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PREFACE

The Poland Small Business Project of the Growth and Equity Through Microenterprise Investments and Institutions (GEMINI) Project commissioned this study as a component of its national assessment of the role and impact of the small business sector on the economic restructuring process of Poland. This report describes the role of informal sector commerce and evaluates its impact on small business formation and employment generation in Poland. The need and opportunity for specific policy reform and promotional support is examined.

Legal and regulatory problems abound in the informal commercial sector, ranging from tax evasion and consumer protection to traders' rights. The problems identified are due primarily to inadequate and inequitable rules, regulations, and administrative procedures governing informal businesses and market center operations throughout Poland. Distributors are subject to arbitrary rules, regulations, and fee collection practices by government officials and these problems are compounded by the equally serious absence or nonenforcement of consumer protection health and safety standards.

Prepared by the Warsaw consultancy firm, SMG/KRC Poland, this draft report is based on an analysis of data and information derived from 80 interviews with informal sector traders in eight cities, and 10 interviews with government authorities in three cities and two Warsaw area communities.

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EXECUTIVE SUMMARY

Is a policy on street and market trade necessary? If the interviewers were to put such a question to street and marketplace tradespeople (and some of the questions asked by the interviewers in the study went in this direction), the answer would have been unmistakable: "We don't need to be looked after, we just don't want to be interfered with." An analysis of the findings of the study shows, however, that such answers cannot be taken literally. Street and market trade has opponents and supporters, given its positive and negative characteristics.

Among the positive effects are the absorption of the labor force, stimulation of the market (perhaps more for imported goods, but this is not all bad; price and quality competition is beginning to increase demand for domestic products), making goods more readily available to consumers, and contributing to the creation of entrepreneurs capable of investing in and expanding their businesses in many informal sector markets.

At the same time, the informal sector provokes innovation in formal trading enterprises. By informing the latter about what goes on in the marketplace, informal traders demonstrate what has to be done to be competitive. The formal sector demonstrates that price and convenience, rather than availability, are winners in the marketplace. The decline in profit margins reported by informal traders may be, in part, because of the response of formal sector competitors to changing market conditions. Increased market competition overall, however, is the real reason for smaller profit margins.

To be sure, the positive effects of mobile trade must be described with a sense of proportion. This trade is no miraculous remedy for unemployment, especially in regions affected by structural unemployment; it cannot become the machine automatically creating a middle class. It is also worth noting that street and market vendors exhibit little capacity for self-organization, for selecting representatives, or for negotiation and defense of their group interests, even on the lowest level vis-a-vis local authorities.

This sector has several negative characteristics as well. A large part of this business activity is informal or semiformal, often bordering on legality or is outright illegal. Avoiding the payment of taxes, inaccurate financial reporting, unrecorded incomes, illegal employment of workers are standard practices in this sector. With some exaggeration one can say that in this circle a deviant would be one who would pay all of the taxes owed.

Although financial losses are not a great problem, regulatory protection to collect accounts payable is avoided. The perception is that such regulations and their enforcement would put most of the tradesmen out of business. The major problem seems to be that the sector is not subject to fair and equitable business practices under the law. Tax evasion, official corruption, and the distribution of smuggled goods of unknown origin and dubious quality are among the norms that drive and sustain this market.

Although it is unlikely that street trade will create a middle class, in a certain sense it is a mechanism that creates and sustains industrious entrepreneurs. Positive options and

incentives to "formalize" these entrepreneurs — legal, administrative, economic and organizational in scope — appear to be exceptionally limited.

The attitude of local authorities toward street and market-place trade includes positive and negative elements. However, their practical actions are dominated by typically bureaucratic responses to the negative aspects of such trade. On the one hand, the local authorities display a certain helplessness in dealing with this market sector, and on the other, a tendency to "regulate" by making sure traders' "papers" are in order and that their booths do not "blemish" the city. Changing this simplistic, bureaucratic perception of street and market-place vendor control ought to be one of the first goals of a clearly formulated policy on street and marketplace trade.

Such a policy ought to focus on achieving a number of basic objectives. These include:

- Establishing legal remedies and safeguards to protect consumers' rights, which in the present form of street and market-place trade are practically unenforceable;
- Integrating governmental responsibility for this sector to enable more efficient administration of informal commercial activity;
- Creating and enforcing the control and certification of imported food and maintaining hygienic standards at sales outlets and market-places;
- Enforcing regulations to prevent crime and maintain public order in places where informal trade is concentrated; and
- Protecting the interests of tradesmen by removing the current arbitrary fee collection and trader preference powers of corrupt officials and private firms which own and operate informal sector market areas.

Some of these problems have to be solved at the national level, especially legal questions, product standards, fair trade practices, and rules of administrative procedure. Others, such as, the administration of market-places or coordination of the actions of individual departments of the administration, have to be solved at the local level. Local administrations often lack the know-how to define and solve administrative problems.

An overriding issue, however, is the need to change the passivity of the tradesmen themselves and the apparent incapacity of the local authorities to act in common with the traders to solve their mutual problems. The prevailing attitudes and reactions of these groups toward each other reinforces the predilection of officials for simpleminded "administrative regulation" and the passivity and pretentiousness of tradesmen in their dealings with government functionaries. The principles of action suggested to the local authorities ought to contain models and procedures to stimulate positive cooperation between the two sides to improve conditions in this significant informal sector market.

A more informed attitude towards and knowledge of the informal sector could greatly assist the process of privatizing state-owned trade and commerce enterprises. Managers of these public enterprises need to consider informal sector strategies on operations, investment, and expansion to improve their competitiveness and target their market segments. They should explore pragmatic linkages with these private enterprises. Finally, the divestment of state-owned distribution companies to entrepreneurs currently operating in the informal sector ought to be a high priority policy and action strategy addressed by government.

STREET TRADE AND UNEMPLOYMENT

The Problem of Estimating the Scale of Informal Street Trade

Street and market trade is an area of economic activity that, in principle, is subject to legal and organizational control by the local authorities. In fact, however, only part of the trade is "formalized," that is, registered and taxed, while part escapes all control.

The scale of formal street and market trade is hard to estimate from official statistics. Although most of the street vendors are registered in some way and pay taxes, there really is no tight and precise filing system. The problem is that different units of the local administration handle different matters: taxes, registration of economic activity, and registration of the unemployed are the responsibility of three different departments.¹ There is no efficient communication between departments, resulting in "lack of tightness," and this enhances the possibility of doing business illegally.

If the scale or the extent of both legal and illegal commerce cannot be determined on the basis of official statistics, the studies done for this report also provide no such basis. The informal vendors operate in various ways. For example, from the interviews conducted in Grodzisk, the investigators learned that informal activity can be steady or seasonal. In the latter case, vegetables or fruits are sold and presented as the seller's own crops, which is perfectly legal and incurs no additional tax.

Individuals can be simultaneously registered as unemployed and engaged in trade. As one interviewer said, "a woman manager of the local Employment Office informed me that there is no way of estimating what part of those registered as jobless are working illegally. Tracking down the dishonest unemployed is not the job of the Employment Office but of the Tax Office or the police (who as a rule do not deal with this problem). Based on the personal experiences of the workers of the Employment Office, much more than half of the jobless must have additional sources of income, and without question many of them engage in trade."

In general, there are two categories of street-market vendors to study:

- Legal: registered, paying taxes, engaging in trade on a regular basis; and
- Illegal: working off and on, seasonal, unregistered, and not paying taxes.

The first category includes both the well-off who regard trade as a regular occupation and have more or less ambitious plans for expanding their business, and persons regarding trade as a temporary activity helping them get through tough times. The second category consists solely

¹ There are more of these departments — the registration of economic activity can take place in two different systems, the public administration and the court administration, depending on the type of ownership of the undertaking.

of people for whom trade is an irregular activity helping them get through a hard period. As a rule they have no plans for expansion, and the scale of their activity is much more modest. They often buy merchandise for borrowed money, and spend the money they make chiefly for consumption; they try to lower their costs by avoiding taxes and market fees.

From interviews with employees of the Warsaw city administration, the following typology of informal vendors can be constructed:

- The unemployed, people who were dismissed from their jobs or expect to be;
- Pensioners and people with annuities who supplement their modest retirement income;
- Students, especially during vacation; and
- "Sharpies."

As one can easily see, the last category is constructed according to criteria that are different from the others. On the basis of other statements, however, one can reconstruct this category to identify those registered as unemployed and who engage in illegal trade.

Registered tradesmen pay taxes and all other fees, but one should not assume that legal tradesmen always act in a completely legal manner. As the interviews show, they use various ways to avoid registration: lowering turnover, falsifying tax documents in such a way that whole batches of merchandise are sold outside the books, and employing workers (often unemployed) without registering them and without paying insurance and taxes. The informal employment of workers (also unemployed) is not only a way to avoid paying the wage and social security taxes. The employer has an entry in the register, his employees do not, and settlements between them take place from hand to hand. In this way, on the basis of one entry, one can operate several sales outlets. One of the clerks of the Warsaw city administration told a story of the scope of unreported income possible to attain in this manner. It turned out that this businessman mixed up the blank spaces on the tax form and without blinking an eye wanted to pay a tax calculated not on the proportion of declared income but turnover. The sum that resulted from this error was several times greater than what he really owed and hardly surprised him.

Does Street Trade Provide Opportunities to Make a Lot of Money?

Almost all of the subjects agree that street trade has its best times behind it. There are many reasons for this:

- The policy of the local authorities, which dislodges traders from the best places (the busiest streets) and moves them to worse places;
- The general economic situation in which "people have no money";

- Increasing competition from both registered businessmen and unemployed persons working off and on; and
- Difficulties with finding a place to set up business.

Vendors from the market in Pruszkow stated that today trade is not very profitable, and that their profits run about 2-3 million zloties per month. They claim that they will face bankruptcy if the situation doesn't improve in two or three months, and will have to go out of business. This chiefly concerns the general economic situation and the recession, which they regard (rightly or wrongly) as the main cause of their difficulties. Some of them still do not know what they will do, some of them are looking for work in their previous work or in another occupation, and still others will go on unemployment. The opinion was expressed in many interviews that today, with rather high unemployment benefits, street trade is not an attractive alternative for the unemployed and can be regarded as only occasional work.

Where Do The Street Vendors Come From?

A certain immeasurable portion of street vendors are persons registered as unemployed, as noted above.² As the interviews showed, however, the path "job in a state enterprise - unemployment - street trade" is not the most typical for this form of economic activity. More typical is the following path: "job in a state enterprise - lack of prospects + low wages - voluntary decision to take up street trade." So street trade is not a deliverance in a situation of unemployment but a search for better earnings or escape from impending unemployment.

As one interviewer writes on the basis of interviews in Warsaw: "Some of the respondents have created their own individual image of the unemployed-vendor: unemployed means useless. The unemployed are people who don't want to work, who are looking for an easy living. They most like to sell beer — where they have the biggest and fastest profit." Other respondents interviewed (on a street in Warsaw) characterized the unemployed as follows: "They chose an easy life, you see them in front of the store drinking beer, they stand around in front of the job office, but they won't take any sort of work." These same respondents contrasted this image of the unemployed with their own image: "This is a 24-hour-a-day job, requires initiative; here one has to use one's head and work real hard." In general, opinions are repeated that one has to have the "knack for trade," one has to have the smarts and know how to work: "For real trade you need people who know how to work hard, responsible and capable of making sacrifices."

Here the observation suggests itself that even if street trade is not a way of coping with unemployment, it certainly is a way of dealing with what in psychology is known as the unemployment syndrome, which is characterized by apathy, lack of initiative, withdrawal from

² In our studies only one person declared that he was unemployed, but no sweeping conclusions should be drawn from this. The sample was not representative, and this fact of being unemployed might have been covered up by the subjects for no one willingly admits to breaking the law.

activity and a waiting-demanding attitude. In their activity, the vendors studied are a living contradiction of this syndrome. Street trade is a typical market activity, in conditions of great competition, business risk, and low social security. In addition to this, however, the vendors worked out still other elements of their self-definition, in which they contrast their own image as active and hard working people to the image of the dishonest "unemployed," passively waiting for his dole. In addition to a certain mental comfort that comes from such an interpretation, it also has an element of protecting one's own interest. Registered tradesmen, as one of the interviewers writes, "showed a great dislike for unemployed (unregistered) vendors." They said that they were hurting their business and do not pay taxes. According to the registered tradesmen, the trade of the unemployed is not steady work leading to higher forms of market activity — "they are only supplementing their unemployment benefits and spending all of the profits for consumption."

According to one of the accounts of registered tradesmen, even though controls are administered frequently, official controls are unable to combat unfair competition, since unregistered tradesmen have small amounts of merchandise that they sell quickly and much more cheaply; besides this they often change their location.

On the other hand, registered tradesmen, who have greater financial possibilities, are inclined to hire unemployed persons "on the q.t." (non-tax-paying casual employment of unemployed persons). As one of the interviewers writes:

Changes in the community of registered tradesmen are going in the direction of employing additional persons to assist in direct trade, while the owner sees to the supplies of merchandise. Additional persons can be employed formally, but then one has to pay taxes and social security. From the calculations of one of the subjects it follows that with a salary of 2 million zloties, such a worker would cost twice as much. So he decided to hire someone "on the q.t." The unemployed then collects his dole and simultaneously works in the tin-booths, in the event of a control showing a document of registration in the Tax Office in the name of the owner.

So even though the respondents in answer to a direct question stated that street trade is not an effective remedy for unemployment (because of the recession and the shrinkage of the market, and also because "not everybody can trade," and the stereotype persists that work that brings real money is work in production), one can nevertheless say that trade stimulates the professional activity of the unemployed in various ways. Today the development possibilities of street-market trade are diminishing, and also diminishing are its possibilities of absorbing new unemployed. According to one of the respondents, street trade was a solution of the problem of unemployment for many of those trading today, but — owing to the large numbers of vendors — this will not solve the problem for new people, who will have difficulties in getting started in a saturated market.

Registered tradesmen said in interviews that labor is being absorbed by trade not chiefly through going into business on one's own but through employment with already prosperous

merchants. This results from the difficulties that have to be overcome in order to "get into the business."

Difficulties of Street Trade

The interviews show that going into business in street trade on a wider scale (registration, a permanent place and stand or tin-booth) requires a certain amount of capital, which is beyond the reach of the average unemployed person. Today, to open a stand, one has to have from 3 to 10 million (even tens of millions) of zloties. According to one respondent, the tin-booth will cost around 5 million zloties, and the merchandise more or less the same. Vendors of food articles were of the opinion that this trade is the best entry, for "people have to buy food," the merchandise is sold quickly, and there is rapid turnover of money.

The second barrier to going into business is the barrier of competency. According to the respondents, the competition is quite strong, and the time of amateurs has ended. Now one has to "have a sense of the market, select merchandise accordingly. Starting up a business without enough money and without knowledge of the market can lead to a sad end."

All of the accounts indicate that street trade is an ever more difficult field of economic activity, in which the competition is ever keener and which requires competence and investment. This is especially true of unregistered trade, it seems. As one of the researchers reported, according to his observation, "wild" street trade is beginning to disappear. Trade has entered into a second, more advanced, organized and specialized phase. Municipal authorities have a tendency to limit and eliminate street trade, transferring it to certain designated markets that are leased to companies that run them and keep order. Every place in the market costs money, however, which increases the expenses of tradesmen and makes it harder to go into business. The times when one could get started with a folding cot and a minimum amount of merchandise, gathering experience and capital for future expansion, are receding into the past.

So street trade more and more often is being pushed to markets and other designated places. The respondents stated that this limits the field of activity. They also anticipated a progressive decline of this sector due to the fact that in the end it loses out to stores. Stores are able to offer the customer a wider assortment of merchandise and greater convenience of making purchases. The attractiveness of tin-booths consists in competitive prices. In the meantime, in order to be cheaper in retail trade, one has to purchase larger amounts of merchandise from the warehouse. For many reasons (amount of working capital, possibility of displaying the merchandise, possibility of storing it), stores have greater chances here.

The second reason for which — in the opinion of some tradesmen from the market — stores can beat market trade is the existence of a group of richer customers who almost never make purchases in markets. The subjects expressed the opinion that market trade is an occupation conducted by people of limited means for people of limited means.

STREET TRADE AS THE WAY TO A "SUBSTANTIAL BUSINESS"

At the beginning of the study, the authors put forward the hypothesis that street and market trade can be a way of entering into a more substantial business. Three elements must be taken into consideration here:

- **Economic:** the accumulation of capital for further investment;
- **Educational:** becoming familiar with the rules of private business, with the market, financial regulations and administrative procedures; and
- **Psychological:** seeing what one is made of in conditions of independence, competition, uncertainty, and risk.

The hypothesis that it is possible to get into a substantial trading business thanks to money earned in street trade can be confirmed only in part on the basis of the material gathered for this report. A large portion of the respondents seriously involved in trade are at least thinking of expanding their business. They all agree that the typical form of street trade — folding cots, camping tables, and even tin-booths — is a transitional phase that will pass with the development of more substantial forms of trade. However, in spite of the fact that they would want to develop in this direction — that is, in the direction of a store, warehouse, or several stores — they perceive serious difficulties in carrying out their plans. Today, from the money earned from street trade, they cannot finance a more ambitious plan of development, such as renting a store, for example. They make enough for a living but not enough for investment. Additional problems are difficulties with finding a place, the necessity of bidding for rental of stores in the face of keen competition, and an inefficient administration. This, as well as competition from unregistered tradesmen, puts these development plans in limbo, and many tradesmen are even considering leaving the business.

As one of the interviewers reported, among the several people with whom he conducted interviews, only one thought seriously about expanding his business. This person even started to build a small store next to his home, on his own land, with the help of his family. The rest of them say they will leave trade if they can find an eight-hour-a-day job for 2-3 million zloties a month. The women say that work in trade is too exhausting and leaves no time for running the house. One of the vendors (of toys) wants to give up the business, for his income is declining month by month. As he says, four years ago after a year of work in trade one could buy a car, but now it is even hard to make enough to maintain it. Another person (selling shoes) said that at first she thought about a store, but now, after three months of work, she already knows that this is unrealistic. The income from the tin-booth does not permit saving, and loans are unavailable (banks want a lot of security) and are too expensive.

The second hypothesis on the educative role of street trade is also confirmed only in part. Especially important here are the statements of the registered tradesmen, who regard trade as a long-term activity. They emphasize that trade is an occupation requiring competency and knowledge of the market and that they themselves (in contrast to the "unemployed" or

unregistered tradesmen) have acquired this competence and knowledge of the market in the course of their work. Interviews with municipal clerks, however, provide data that suggest a very low level of competency for the tradesmen, who "are unable to fill out the simplest form and are impervious to information supplied by officials." One can surmise that tradesmen more quickly acquire the knowledge that is the most important from the standpoint of their needs, that is, knowledge of the market. Poor knowledge of the regulations does not threaten failure in business, but unfamiliarity with the market leads to disaster.

There are many arguments in support of the third hypothesis on the acquisition of the psychological aspects that make a trader competent in operating in the conditions of a free market. A large part of the registered tradesmen are people who left a job in a state institution voluntarily, seeking — as they said — better earnings and, one can assume, also greater independence and freedom of action. These were people who "did not fit" in the framework of action created by the planned economy. In this case, street trade is not very costly or risky and thus widely accessible form of selection and a form of testing one's mettle in free market conditions.

Selection consists in the fact that some of the persons subjected to it are rejected. A considerable group among the study respondents are people who are unable or unwilling to overcome this psychological threshold of selection. Statements are often repeated that the respondents have no psychological need for development and treat their present occupation as a way of survival. One of the interviewers reported, for example, that his respondents talked about plans of opening a store, but after asking them more specific questions it turned out that these plans could not be treated seriously since they had made no efforts to find a place.

The research findings show that street and market tradesmen are clearly divided into two categories:

- The first category are owners of several stalls or stands. For them, street trade is a transitional form in which the goal is to accumulate a certain amount of capital for development. Development plans concern trading activity — a store, warehouse, or several stores; and
- The second category are people who regard street trade more as a "job" than as a "business." They do not think about expanding, they want to earn enough to live on from their work, and this suffices for them. If they were able to earn as much in their previous occupation, most of them would give up trade and return to their old job.

One can put forward the hypothesis that the correlate of the above differentiation is age. As one of the interviewers reported, street vendors can be divided into two categories, depending on age. In the first category one can include young tradesmen for whom street trade, starting from a camping table on a street corner was, on more than one occasion, the first attempt to earn their own money. The merchandise came from illegal or semilegal imports (Turkey, Hungary, FRG). These are young people right out of school or even still in college, treating their occupation very seriously, investing in new, attractive merchandise. Such tradesmen are

inclined to expand their undertaking. The second group are tradesmen who came to this sector from another occupation. Among the persons studied there were fewer unemployed persons from the state sector and more artisans. For the latter, trade is a temporary situation forced on them by circumstances caused by the impossibility of continuing their previous occupation. The most often-mentioned culprit is the Balcerowicz Plan. This category for the most part includes older people. What is characteristic of them is that they have no respect for their current occupation.

Persons belonging to the first category have the motivation for development, but they encounter various obstacles and difficulties. One of the most serious problems is finding loans. The tradesmen participating in the interviews hardly ever resorted to this form of financing. The banks are inefficient, have no confidence in small tradesmen, and demand high security for loans. One of the subjects reported, for example, that at the beginning of the year he wanted to take out a loan for 60 million zloties. His application was rejected because the bank did not see fit to finance trade in personal hygiene articles, saying that there is too much competition in this segment of the market.

One of the middle-level officials (Tax Office in the Zoliborz District of Warsaw) participating in the study estimates that 10-15 percent of the persons who started up activity on the basis of the law on economic activity expanded their business, while the others stayed at the same level from which they started. More or less the same percentage of the present street vendors are "magnates" — businessmen employing workers, while they themselves see to the delivery of the merchandise to several stands.

In the study, many examples of development plans were articulated: those carried out, those in the realization phase, and those remaining on paper. A few are cited here:

- A seller of fruits plans to open a store in six months. In the immediate future he plans to build a home, and so he will build a small store, which will bring in money to finance the construction of the house (for he does not intend to take out a loan). However, the respondent has no great illusions as to the profitability of such an undertaking. The general decline in profits has also affected him. Until recently he was able to support his family and gradually accumulate money for the purchase of building materials; today the profitability of the venture has declined considerably; and
- Tradesmen from the market in mini-stores built several months earlier, who moved there from the street.
- Two tradesmen who are planning to liquidate their own sales outlets and shift over to carvassing. This will consist of making contacts with producers and supplying merchandise for regular customers in stores. In this case, there is greater specialization, and the money comes not from everyday contacts with customers but from knowledge of the market and being able to move nimbly about in it.

STREET TRADE AS A MARKET FOR POLISH PRODUCTS

Food Products

Polish goods make up a large part of food products, whereas the vast majority of nonfood products are foreign goods. Such a large share of Polish products in the food articles offered for sale is not due to their special quality or loyalty to a Polish producer. The Polish food articles are first and foremost dairy produce, bakery products, vegetables, and meat; their advantage over foreign products is that they are fresh, and delivered the same day from the producer (the Polish customer does not trust preservatives). Local production can only meet the need for basic food commodities.

According to the respondents, a large number of pork-butcher's shops, dairies, and bakeries have opened up recently. However, here the vendors encounter a new problem. Very often the producer does not take them "seriously," as one of the respondents put it, and does not accept small orders or quotes such high prices that the business ceases to be profitable. They find a solution by seeking out smaller wholesalers 150-200 kilometers away from large cities who offer much lower prices, even for small orders. Even here one finds an exception, however. At one of the stands in Katowice, the vendor offered Czechoslovakian butter much cheaper than Polish butter (about 5 thousand zloties cheaper per kilo), which, as the consumers said, was neither poorer in quality nor less fresh (it came from a warehouse) than the more expensive Polish butter.

As for the other food products sold — coffee, sweets, beverages, seasonings, pastries, cheeses with longer keeping quality — these are for the most part of foreign origin. In Katowice, these are primarily Austrian and Czechoslovakian firms, while in the other regions German products predominate. Products from other countries appear less often and at random, for example, when contacts are made with the warehouse in which French or Dutch products may be kept. The only Polish firm that is able to hold its own against foreign products is Wedel, because of its reputation and the customers' confidence in its products.

In the opinion of the respondents, the unattractiveness of the Polish food products of the above category is due to:

- The very poor quality of the packaging (leaving aside the aesthetic aspect, the packaging of Polish products are not hermetic, which in the case of food products sold out in the open disqualifies them);
- Their prices are not competitive, and often are even more expensive; and
- The very low efficiency of Polish producers (difficulty with making contracts) both at the producer-vendor and at the producer-wholesaler levels.

Nonfood Articles

The situation is different in the trade of manufactured goods. For most of those surveyed, foreign products made up the vast majority of the line of goods sold. The most frequently mentioned reasons for the absence of Polish goods in the stands were:

- Low quality;
- Relatively high price; and
- Unaesthetic packaging.

However, in the case of the first of the disadvantages mentioned, it turned out that the commitment to quality is only superficial: in the purchase of goods from the warehouse, quality to all intents and purpose is not taken into consideration; what matters is the price. For example, Italian stockings of very poor quality are purchased very often, whereas the same product of quite good quality made locally by a private producer does not attract the interest of retailers and wholesalers. What is decisive here is the general business approach of the vendors, as evidenced in a statement made by one of the subjects: "The stores have time to get the customer used to good quality, while we (vendors from the market) want to turn our money over quickly and make a profit; so my goods have to move fast."

But if Polish products are kept out of the street market because the vendor who buys his goods from a warehouse selects the cheapest product there, which is most often a Western product, another type of selection process takes place that results in Polish products taking a back seat in street markets. Producers dislike small customers, and when the producers do agree to enter into contracts, they offer the vendors prices on the borderline of profitability; moreover, they do not agree to sale on commission.

The Polish products sold are:

- Washing powders (this especially concerns the firm Pollena; the detergents of this company, in the opinion of the respondents, are much cheaper, which is their main advantage over foreign washing powders);
- Cigarettes (the low price is the deciding factor);
- Toilet paper (low price); and
- Books.

Several of the respondents sold footwear of Polish make manufactured in large plants. These products are of good quality and cheaper than often worse-made imports, for example, from Italy (about 30-40 percent cheaper). In the case of shoes, however, which could become a popular item of market stands, difficulties appear at the seller-manufacturer level. The main

obstacles are those already mentioned: reluctance of the producers to fill small orders, and expensive transport (the best shoe factories are far away).

The respondents also tried to sell footwear made in small artisans' shops, but most of them quickly gave this up because of the very low quality. The customers complained about 10 percent of the goods sold.

As regards the other most frequently encountered articles such as clothes (sports blouses, woman's blouses, track suits, sweaters, caps, scarves, pants, socks, stockings), there were no Polish products at all. In the main, these goods were from Thailand, Korea, and Turkey. For the poorer customer of street and market stands, these products are attractive and much cheaper than the goods offered in stores. Such products are also found in most of the warehouses.

Other foreign products willingly purchased are paper products, cosmetics, personal hygiene articles, batteries, and household utensils. The producers are from various countries, and no clear tendency was observed in the interviews.

As indicated by the questionnaire data about the origin of the assortment sold, there is not much demand for Polish products. The only Polish products willingly purchased and appearing in the stands are the sweets of Wedel and the washing powders of Pollena; in the opinion of the respondents, only these products can compete with foreign ones in quality while remaining lower in price.

A separate category are the food products purchased daily. Polish products are most frequently purchased because their main advantage is freshness. However, as the investigators learned from one of the interviews conducted in Katowice, when the seller can overcome the transport difficulties or finds a wholesaler who has a suitable article of foreign origin — for example, Czech butter — he prefers to sell it because it is more attractive than the Polish article in price.

Thus, if one looks at street trade as expanding the sales market for Polish products and as a stimulus to increasing production, this would be true only for food products purchased daily. In the opinion of the respondents, small pork-butcher's shops, dairies, and bakeries are springing up rapidly, but there are too few small private plants disposed to production for the bazaar market, which is an essential part of the Polish market.

STREET AND BAZAAR TRADE — RESPONDENT OPINION

The Perspective of Tradesmen

The respondents distinguished two categories of consumers. The first are Russians, particularly those in large cities. The Russians tend to purchase Western goods: electronic equipment, food articles made in Western Europe, clothes made in Turkey and in the Far East; as a rule they buy larger amounts of the article. For such purchases, the bazaar is very

convenient; it offers the opportunity of bargaining to get the lowest price and gives greater freedom to the purchasers, who can pick and choose unhurriedly.

The second category are Polish customers. In the opinion of the respondents, the consumers of their stands are the poorer part of the society. The goods offered in the street stands are attractive to them on account of the low price; this is also where street and bazaar stands are competitive in relation to stores (the price offered is 5 to 30 percent lower). All of the goods sold on the street and in the market can also be found in the stores, but their price in the stores is always higher. The subjects say that "the time already has passed when street trade offered goods unavailable in the stores," ". . . today there is tough competition, so I try to sell more cheaply; I either use a lower mark-up than in the stores or get my goods from the warehouse of the cheapest producers (chiefly from the Far East)." One of the respondents noted that even when the goods are sometimes the same price as offered in the stores or more expensive (very rare), "the customer has become used to the fact that here (in the street stand) he will purchase more cheaply and does not compare the prices here with those in the stores."

The tradesmen also often emphasized the same aspect of convenient shopping in their stands; they claim that the customers are very satisfied with the availability of goods, making it possible to limit shopping time to a minimum, to bargain and knock down the price.

The respondents complained about the lack of institutional protection of the consumer. People are often afraid to make purchases in the market because they have no government guarantees that they will not be cheated: "The consumer can do nothing to the person who sold him a piece of junk, and when this happens this consumer will not purchase in the market a second time." The goods sold are not controlled with respect to their fitness for consumption. One of the respondents has been selling food articles for three years, and no one ever controlled the goods sold by him. There were also complaints about the sanitary conditions at the bazaars, which scare customers away and turn public opinion against this form of trade. The blame for this state of affairs can be put on the municipal authorities and the firms which lease out the spaces ("apart from collecting money they do nothing to improve the appearance of the place; this is a mafia . . .").

In spite of the considerably lower prices, all of the respondents noted a substantial decline of purchasers in the past year; they explain this fact by the pauperization of the society ("from day to day people have less and less money").

To sum up, it must be emphasized once more that the chief advantage of bazaar and street stands for the customer is the relatively low price of the products sold.

The Perspective of Consumers

In 10 interviews conducted, the respondents of both small cities and large cities emphasized two basic advantages of trade from street stands:

- Competitive prices in relation to the same article sold in stores. "Street trade considerably reduces my living expenses" — said one of the women interviewed. The purchasers also emphasized the possibility of "knocking down" the prices of goods offered in stands, which in their opinion never happens in stores. One of the female respondents said: "I very much like the bazaar atmosphere, one can haggle, or even just chat."
- The accessibility of the article sold in markets and street stands. Most of the consumers stated that an article sold directly from the street gives the customer greater possibilities of choice in a casual environment. The buyer does not feel ill at ease: "I can finger the goods, pick and choose, and no one hurries me or glares at me." Another merit of such stands is the wide assortment of goods. The purchasers emphasized the possibility of making all necessary purchases almost in one place, especially in the case of larger informal markets. "At the market I can get everything from bread to meat, vegetables, dairy products, fruits, sweets, pots and pans, tea kettles, clothes, simply everything."

Yet another important merit mentioned by the respondents is the attitude of the tradesmen to the customers. Street and market sellers — in contrast to personnel in stores — are always polite, smiling, able to encourage the customer to buy, and know how to advertise the article they are selling. In the responses of the subjects the statement was often repeated that "they (street sellers) care about the customer."

Moreover, respondents from small cities stated that this type of trade fills in remarkably well the gap created by the lack of stores with more expensive nonfood articles (furniture, radios, imported clothes). In small cities such stores are not able to survive. In the small cities, nearly all the respondents said that almost all the inhabitants make purchases in the market.

Main Complaints

The complaints against street trade were directed mainly to the local and central authorities and not to the sellers themselves. The main charges concerned how the markets operated, their appearance, and the control of the tradespeople. They often mentioned the sanitary conditions in markets, which they called scandalous. The markets are not cleaned up; everywhere there is mud, dirt, and access to the booths is difficult: "the markets ought to have proper structures and sanitary conditions for selling, so that one would not feel disgust making purchases there."

As for control of the tradespeople, the respondents wanted the local authorities to check closely whether the articles sold there are not stolen, whether they have Polish health certificates because "Western foodstuffs often have exceeded their shelf life, contain unhealthy preservatives" as one of the respondents stated; whether the electronic equipment sold has a guarantee — "most of the equipment sold consists of company advertising models — without guarantee" said one of the respondents; and whether the food products sold are not outdated.

In the opinion of the consumers, people can be protected against such dangers only by proper regulations and actions on the local and central level.

The Most Willingly Purchased Products

There are clear preferences and reservations concerning products purchased in markets and on the street. In spite of the convenience (advantages mentioned above) there is less willingness to purchase food products with a short shelf-life. The respondents had in mind here first and foremost dairy and meat products. The sale of these products requires maintenance of special hygiene, which is not possible in the present condition of street and market stands. The products most frequently purchased are cigarettes, washing powder, and toilet paper. These preferences are especially important in a large city, for in a small one the consumers as a rule take advantage of the entire offer of the tradesman.

As for preferences concerning a Polish versus a foreign product, the consumers more willingly purchase Polish food products (cheeses, bread, cold cuts). What is decisive here is confidence — the buyers do not trust foreign producers, stating that their products contain harmful preservatives (are "artificial" as one of the female respondents said) and are outdated. Other willingly purchased Polish products are washing powders and cigarettes, owing to their attractive low price. The foreign products purchased are clothes, cosmetics, sweets, tropical fruits. The advantage of foreign products is attractive packaging and their up-to-date fashions (in the case of clothes).

Street Trade Versus Markets

Nearly all the consumer respondents also had negative remarks about street trade. The main arguments against it were disturbing traffic and the scattering and chance location of the stands. The subjects also stressed that they are "already fed up with trade on every empty place of the sidewalk." This form of trade causes "unnecessary congestion, confusion, and noise." The respondents also noted that "this form of trade has already seen its day," and does not suit the "metropolitan" or "European" nature of the city. In this regard the subjects support every action of the local authorities to limit trade to strictly defined places. In the opinion of the respondents markets ought to be located in the central part of the city: "it would be close for everyone and would be possible to make all necessary purchases in one place." They believe that the funds obtained from tradesmen for fees ought to be used by the authorities to improve the appearance and facilities of the markets and preserve this form of trade that is beneficial for both sides.

Opinions About Street Trade as a Source of Employment

The subjects believed that street trade may be a "temporary" source of income for young people, but it offers little opportunity of "feathering one's nest" or of expanding this form of activity. The owners of already existing large stands certainly were not unemployed but people

with enough capital for a start, with experience, with initiative, and with a basic idea of the market. They stressed that this was not a job one could begin blindly.

The opinions presented above were on the whole shared by most of the respondents. As for specific pronouncements not made by other respondents, one of the respondents in speaking of the origin of goods noted that by allowing the import of large amounts of Western products with low prices the central authorities are dislodging Polish products from the market. She stated that no one "for patriotic reasons will begin to buy Polish products that are more expensive, lower in quality, and unattractively packaged." The solution is to set up "customs barriers so that it would begin to pay to buy domestic products." In addition to a high customs tariff, an institution ought to be created to control customs officials, who "for bribes allow into Poland goods from which the state has no profit."

To sum up, the respondents stated that street trade is necessary, but on account of faulty organization it brings no benefits to the state and considerably fewer benefits to the consumer than it could.

STREET TRADE IN THE EYES OF THE LOCAL AUTHORITIES

From the interviews conducted with representatives of the municipal authorities (Warsaw, Zyrardow, and Grodzisk Mazowiecki), one can infer that as a rule one cannot speak of any systematic, well-considered, and long-range policy of the local administration regarding street and market trade. The actions of the municipal authorities were and are reactions to situations and problems that come up and not the realization of an intentional and consciously accepted strategy. What strikes one in reading the interview materials is that in relation to the problems of street trade, the representatives of the local authorities as a rule take the perspective of the ordinary citizen — consumer or resident of the city — and from this perspective define the problems and "matters to take care of" and the ways of solving them.

These representatives of the local administration are unable to estimate the scale of this phenomenon. As one researcher, who conducted interviews in Warsaw, writes: "To all intents and purposes none of my informers was able to describe the scale of the phenomenon studied in his area." The available statistics do not contain such information. Also, there is no information on directions of changes in street trade. The officials were only able to reckon seasonal fluctuations in street trade: the weekly cycle (increase of turnover toward the end of the week) and the annual cycle, with an upswing in business before holidays. The information possessed by the officials had the nature of "unordered observation."

A researcher from Grodzisk states that he thought the Regional Employment Office was a place where one could get information about the real connections between mobile trade and the problem of unemployment. However, as the researcher writes: "This office has no information of a quantitative nature that, for example, could serve to estimate the extent of work on the q.t." There remains the intuition of its employees, who estimate that more than half of the 1,800 registered unemployed have some illegal sources of income.

Some informers themselves declared that the municipal authorities have no policy on street trade. This fact results in lack of coordination of the actions of individual centers of the administration. In the accounts from Grodzisk, a description was given of such a situation, which interviews indicate is typical for other cities: "As one can see from the declarations of the representatives of the local authorities, they do not pursue any policy of promoting or restricting street and bazaar trade. A respondent from the Town Council sketched a picture of the smooth coexistence of groups with conflicting interests, such as owners of private stores and vendors from the market. This picture was clouded only by the presence of unregistered market tradesmen. Their existence was perceived by the speaker as a problem. The actions of the Town Council are directed toward compelling legal trade by setting up institutions for this, which boils down to the control of documents indicating that the activity engaged in has been registered. This ought to be done by the Tax Office and the police. In the meantime there is no coordinated action on this matter between the policy-making body (Town Council) and agencies that could enforce it (police and Tax Office). The councilors drag the policemen to the local market 'by force,' with the best result being a scaring away of illegal tradesmen."

The lack of coordination between individual departments of the administration is connected with not having any strategy on how to deal with this sector of the economy and with the fact that there is no body in the local administration for systematically dealing with this sector. The actions of the local authorities are only directed toward achieving the simplest goal from the bureaucratic standpoint: controlling to see that a certain activity is consistent with the regulations and that the person engaged in it has the right documents.

In most of the places in which interviews were conducted, street trade had been "put in order." This meant that restrictions on street and mobile trade had been introduced and this trade had been directed to designated markets. For example, in Grodzisk this had already been done in September 1990, when the mayor banned street trade on the basis of the traffic regulations. At the same time two designated markets were created where one could trade after paying a fee for a place. Some time later a private market arose in an attractive place. As a result street trade almost completely disappeared, and the tradesmen moved to the designated places. The new markets are not directly administered by the municipal authorities, but they do provide revenue for the city in the form of marketplace fees and taxes.

It is similar in the two Warsaw districts in which interviews were conducted with representatives of the municipal authorities. In both of these districts trade had been banned on the major communication arteries and in their vicinity. The actions of the district authorities aim at forcing the tradespeople to move to the designated places, where trade will be easier to control. In the opinion of the district authorities, "channeling" trade by locating it in organized marketplaces is the best way of eliminating all of the problems created by street trade, for example, littering the streets, worsening the appearance of the city, and the protection of the consumer's rights. In one of these districts, the officials complained only of the difficulties of implementing their decisions: a city constabulary (police subject exclusively to the municipal authorities — in each of the communes studied there are 12 functionaries) is just in the process of formation, the police hardly ever intervene, and tax police are not yet in operation. Common

actions in which the Town Constabulary, police, Tax Office, and health officers take part are organized only sporadically.

The situation in Zyrardow is like that in the two previous cities. Mobile trade is concentrated in a designated marketplace and its vicinity. Trade on the streets is banned, and cases of violating this ban are rare.

From the above facts one can conclude that the municipal authorities as a rule take a jaundiced view of trade outside the stores and would like to get rid of it completely. However, this would be a hasty conclusion. The attitude of the local authorities toward this sector of the economy is marked by bureaucratic logic, since their aim is to "regulate" it and "put it in order" in the simplest possible way. Apart from that, their attitude toward this form of trade is positive in certain respects and negative in others.

Elements of the negative opinion are:

- Collecting unrecorded revenues, avoiding payment of taxes and other fees due, and collecting excessive unemployment benefits. This has financial importance, for it reduces the revenues of the state or city, and also social importance, for it has a demoralizing influence on others and teaches disrespect for the law (some even spoke of "habits of scheming brought over from the times of communism");
- Engaging in unfair competition with registered tradesmen operating stores and other sales outlets and paying taxes. (Officials in Zyrardow said that a practice of recent months is the illegal sale of crops in front of agricultural stores, which was evaluated as definitely unfair competition in relation to the stores);
- A threat to the public order. Endemic to the marketplace are thefts, scenes, and fights;
- The threat of epidemic disease. Food is poorly kept, products are often sold without certificates allowing them into the Polish market, selling takes place in unsanitary conditions, and sanitary control is much more difficult in the case of mobile trade than in the case of stores; and
- Protection of the consumer's rights. Difficulties in enforcing guarantees, lack of possibility of quality control.

On the other hand mobile trade has many positive consequences of which the municipal authorities are aware:

- Marketplace fees and taxes by way of commercial activity (though their amount is underestimated) are an important item in city budgets;
- With the impoverishment of the population, the availability of cheaper goods is very important;

- Shopping is easier, the merchandise is "closer to the customer"; and
- A considerable group of city residents (including the unemployed) have the opportunity of making some money.

As an interviewer from Grodzisk writes: "Generally speaking, the local authorities have a favorable attitude toward mobile trade. This goodwill obviously has its material sources in the form of revenues for the city budget, but to a large extent it is also "ideological" — the councilors want to support private initiative and take a liberal position on trade."

To be sure, the attitude of the municipal authorities toward trade differs and depends on the point of view of the authority: although the councilors look at the problem from the perspective of city revenues, the representatives of the administration, police, and the Health Department look at the situation from the perspective of the concrete problems with which they have to deal in their work.

CONCLUSIONS — IMPLICATIONS FOR GOVERNMENT POLICY

It is unlikely that, no matter how much they may wish to do so, local and central government authorities will not be able to "regulate" informal trade, in the sense of "formalizing" its development. However, less arbitrary regulations and fair trade practices could enable government to have a much more positive influence on its growth in the marketplace, as well as on the direction of the commercial sector as a whole.

The responses from traders, consumers, and government officials demonstrate that there is much to be learned from the methods of informal traders. Although not all their practices safeguard consumer interests and equitable treatment to all traders by government authorities, they have pioneered competitive mass marketing in Poland by making goods more readily available and affordable. Policy makers should identify ways of encouraging the formal sector to adopt these innovations.

In particular, they should consider how state-run trading enterprises could adjust to incorporate new strategies, and to forge new ties with informal sector entrepreneurs. Such measures would bring the informal traders into the formal system, and at the same time facilitate the privatization process. In this latter matter, informal sector traders are, in principle, a logical target group to buy or lease state-owned distribution and commerce companies and facilities. Promoting the divestment of such companies in favor of these emerging entrepreneurs would undoubtedly be a plus for consumers, the economy, and the privatization process.

APPENDIX A
FACTS ABOUT THE STUDY

METHODOLOGY

The study took place during November 1991-March 1992. The field work was carried out in November-December 1991, with the initial analysis of results completed in March 1992.

Owing to the specific purposes of the study — initial examination of a problem unstudied systematically until now — the basic tool we used was the unstructured in-depth interview. After conducting the interviews, the interviewers collected additional information from the respondents by using a questionnaire whose questions concerned the problems formulated by the client and to which the respondent could reply specifically.

The unstructured interview method has the aim of bringing out the complex patterns of thinking of the respondents. For this purpose a specially trained interviewer conducts an interview with persons selected intentionally or randomly. The interview is not based on a strict format or set of questions. The interviewer rather is guided by open-ended problems whose solution he looks for from the respondents. The interviewer conducting such an interview also must be sensitive to problems arising that are not included in the basic hypotheses but are deemed to be important to the issues being analyzed. The role of the interviewer is limited to raising questions to draw out the precise thinking of the respondent on the issues analyzed. An unstructured interview is first and foremost diagnostic; it helps to identify and clarify a problem more precisely, consistent with the primary objectives of the study being carried out.

As the client requested we made a study of the informal sector of trade. According to what had been agreed upon earlier, this was a preliminary study based on individual depth interviews. The purpose of the study was to test hypotheses put forward by the client, to pose new ones, and to collect basic information about the persons involved in street trade.

The Sample

The respondents to 80 interviews requested by the GEMINI project client were selected according to four classifying criteria:

- a) Occupation: street trade
- b) Locality: small - large city
- c) Place of sales: sale right off the street - sale in the marketplace
- d) Goods sold: sellers of foodstuffs - sellers of non-food stuffs

Study Locations

The following cities were covered in the study:

- a) large: Katowice, Warsaw
- b) small: Grodzisk Mazowiecki, Kaluszyn, Pruszkow, Otwock, Zyrardow

The respondents to an additional 10 interviews are representatives of the local authorities in Warsaw, Grodzisk, and Zyrardow on various levels: the major of Zyrardow, the chairman of the city board, the chief of the police, the employment agency officer, inspector from the department of the Trade and the Small Business in communities Srodmiescie and Zoliborz in Warsaw, the member of the municipal police, the State Sanitary Control officer, the fiscal officer.

Finally, 10 interviews were also conducted with consumers making purchases at street stands and in markets. A total of 100 unstructured interviews were conducted and 80 questionnaires were completed by tradesmen.

The Plan of the Study

The time required to complete the study: 4 weeks

The study consisted of five stages:

- STAGE I: Preparing the material for the interviewers; time - 3 days
- STAGE II: Training the interviewers; time - 4 days
- STAGE III: Conducting the interviews; time - 7 days
- STAGE IV: Processing the results (together with a seminar with the interviewers) and preparing the final report; time - 9 days
- STAGE V: Translation of the final report; time - 5 days

Given the limited number and nonrandom sample of the 80 street vendors interviewed, the findings and conclusions in this study should be viewed to be more indicative than holistically representative of informal sector commerce. The only criteria used in the selection of respondents were the kind of goods (food versus nonfood articles, 50 percent of the sample each); the way of selling (from the arm and from tin-booths, 50 percent each); and locality (large city - small city, also 50 percent each). The 80 questionnaires completed by tradesmen contained 12 open-ended questions and a personal information section for sex, age, education, and kind of place of residence.

RESPONDENTS

Facts About the Respondents

Among the 80 respondents, 62 percent (55 persons) were men, and only 37 percent (25 persons) were women; 6 persons (7 percent) had only elementary education, 19 (24 percent) vocational, 49 (63 percent) secondary and postsecondary, and 7 (9 percent) higher education. This means that persons with secondary (or higher) education were considerably over-represented in the sample, in comparison with the actual distribution of education among the adult inhabitants of cities. The artificial nature of this result must be taken into consideration. Among the respondents, only one person (1 percent) was a resident of the countryside; 21 respondents (26 percent) were below 30, 37 (46 percent) were from 30 to 40 years of age, 14 (17 percent) were 40 to 50 years old, and 8 (10 percent) were over 50.

Occupations, Income From Trade in the Family Budget

Professional experience in street trade varied from one week to 10 years; 19 persons (23 percent) had less than six months of experience, 17 (21 percent) from half a year to one year, 18 (23 percent) from one year to one-and-a-half years, and 26 (33 percent) over one-and-a-half years. This would indicate the relative stability of this occupation, especially considering that street trade appeared on a mass scale barely two years ago. Before going into street trade, 6 persons (8 percent) were in school, and 67 (84 percent) were working, including 14 persons (18 percent) in trade, which means they are over-represented when this proportion is compared with the share of workers in trade in the total labor force.

Seventy-six persons (95 percent) worked part-time. The respondents often emphasized that this work is very exhausting, takes a dozen or more hours a day, and affords no opportunity for moonlighting. Two persons defined trade as appropriate work for a half-time or less than half-time commitment. For 63 persons (79 percent), this is the only source of income; one person collects unemployment benefits, 7 persons (9 percent) receive an old-age pension or annuity, 4 (5 percent) get a child-raising allowance, and 5 persons (6 percent) also have permanent employment or do odd jobs.

For 39 persons (55 percent of those who answered this question explicitly), income from trade is the entire income of the family. For 14 persons (20 percent) it is less than half, for 18 (25 percent) it is between 50 and 100 percent. An average of 2.8 persons had to live from this income. Nine persons (11 percent) worked solely to support themselves.

The reason for going into trade was first and foremost the wish to earn more money (52 persons — 65 percent) and to avoid unemployment (23 persons — 29 percent); 18 persons (14 percent) also gave other reasons such as the need for a job, the persuasion of friends, and satisfaction from work on one's own account (it was possible to give several reasons).

Origin, Place of Purchase of Merchandise, Working Capital

Among the respondents, 10 (13 percent) sold only Polish goods, 22 (28 percent) only imported ones, and the others (60 percent) both Polish and foreign goods with the foreign goods predominating, as a rule. (In the group that sold both foreign and Polish goods, 25 persons declared at least 50 percent of goods sold were foreign.)

The respondents get most of their merchandise from warehouses; 67 persons (84 percent) rely on this source. Twenty-seven persons (34 percent) get their wares directly from the producers, 20 persons (25 percent) supply themselves in markets and bazaars. Seven persons import goods directly from abroad, while 5 make use of still other sources (for example, purchasing from third parties). Again, it was possible to give more than one source.

For 76 respondents (95 percent), the working capital comes from their savings and current income. Ten persons (13 percent) also take merchandise for commission sale, 9 (10 percent) get loans from friends, and 6 persons (8 percent) take advantage of extended time for repayment. Bank loans as a source of working capital are not mentioned at all.

Difficulties and Goals

The difficulties of which the respondents complain are above all those connected with location — poor working conditions and high charges for work places (39 persons, 49 percent); difficulties with sales and increasing competition (36 persons, 45 percent); and poor safety conditions (5 persons or 6 percent). Forty-one persons mentioned other problems, above all the unfavorable and overly complicated legal and tax system.

As their goal, 26 persons (33 percent) mentioned survival, 34 (40 percent) development and passing on to a more regular form of trade (opening up their own warehouse was mentioned more often than opening up their own retail store). Sixteen persons expected to return to their former occupation or to find some other, more stable form of employment.

Eighteen of the respondents were unable to give any goal whatsoever; some of the others mentioned more than one.

INTERVIEWERS AND COORDINATORS

The interviewers were sociology students of the University of Warsaw collaborating with SMG/KRC Poland. Permanent employees of the agency Jakub Antoszewski and Roman Swietlikowski and director Piotr Ciacek also took part in the study. In addition to training for this particular study, all of the interviewers in the past had completed poll-taking courses given by SMG/KRC Poland. The study was coordinated by Dr. Krzysztof Nowak and Michal Oklot, M.A.

QUESTIONNAIRE

1. How long have you been engaged in your present activity?
.....
2. What did you do before this? (job)
.....
- 3 Do you do this full-time or is this casual work (if so, what are your other jobs and sources of income)?
.....
.....
4. What made you go into this business?
.....
.....
5. How many people live from this work?
.....
6. Income from this source makes up what portion of the family budget?
.....
7. Origin of the goods sold: domestic-foreign proportions.
.....
.....
8. Direct source of supply in products sold (retail, wholesale, producer, other).
.....
.....
9. How are the purchases of goods financed; from where does the money come (own funds - e.g. savings, loans, purchases "on commission sale," etc.)?
.....
.....
.....
10. Is your activity officially registered, do you pay taxes?
.....
11. Main problems: needs and present limitations.
.....
.....

24

12. What are your plans for the future, your aims?

.....
.....

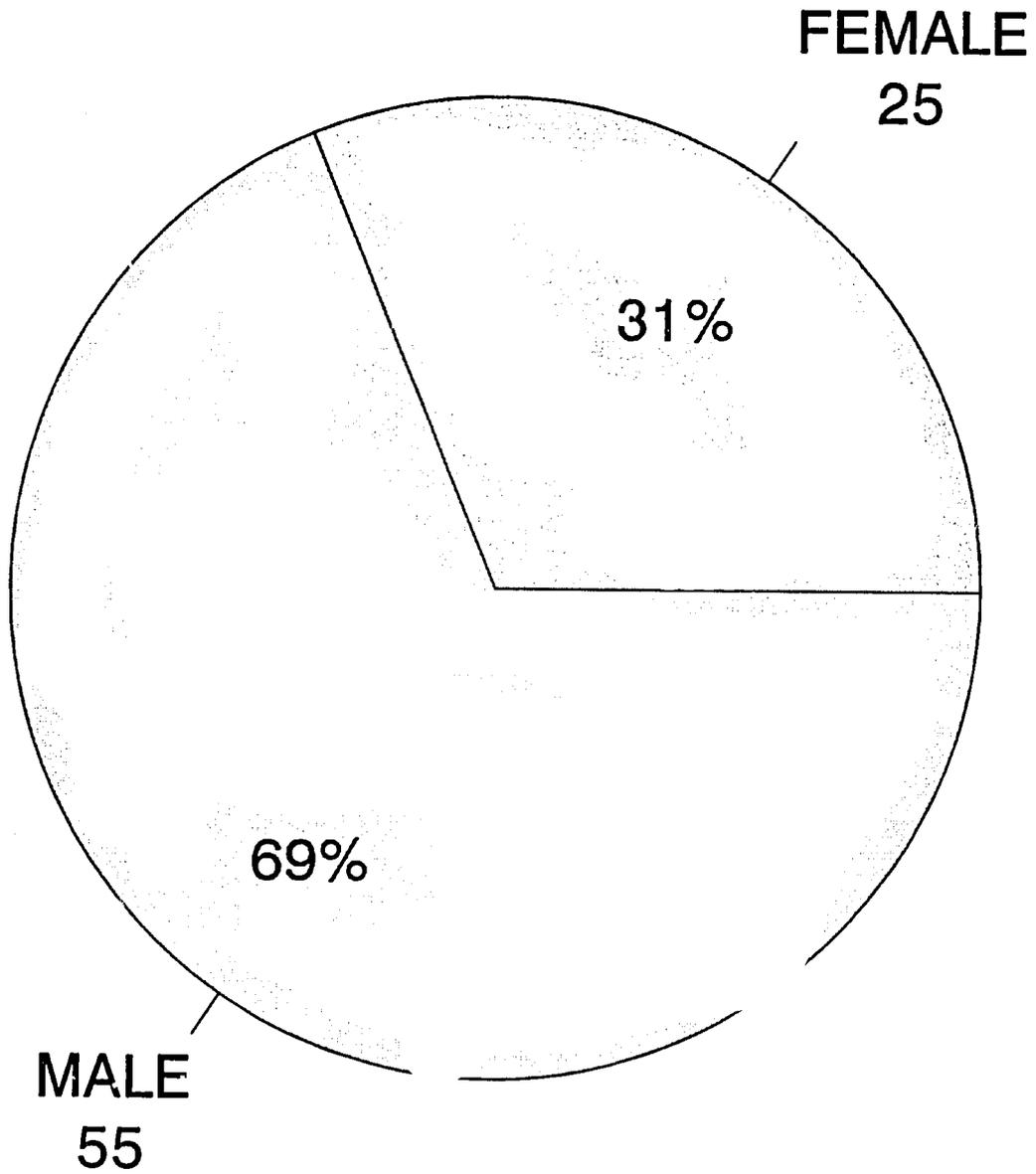
PERSONAL DATA ABOUT THE RESPONDENT

Sex.....
Age.....
Education.....
Place of residence - countryside/city.....

APPENDIX B
GRAPHIC PRESENTATION

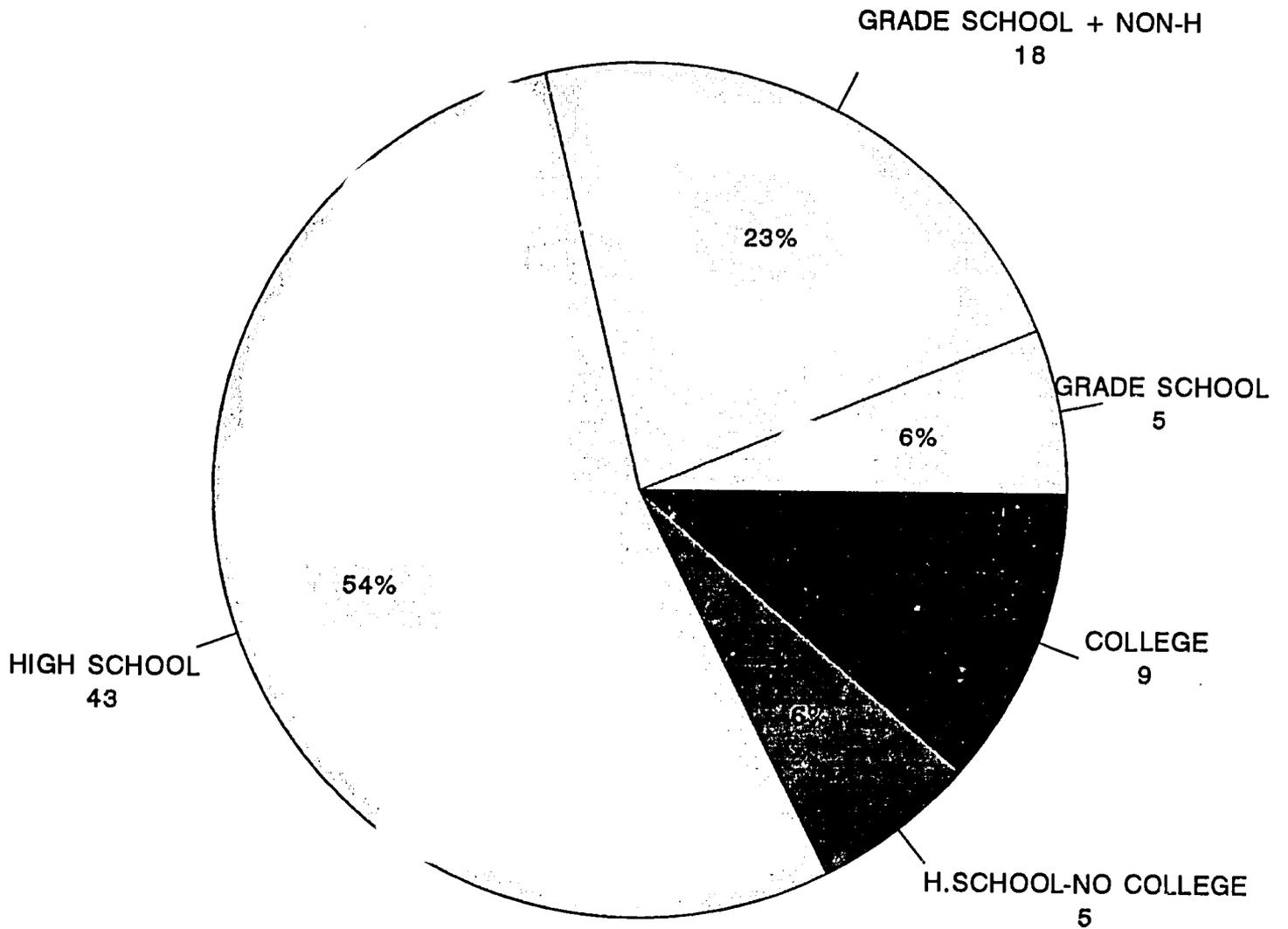
GENERAL DISTRIBUTION OF RESPONDENTS BY SEX

NUMBER OF OBSERVERS



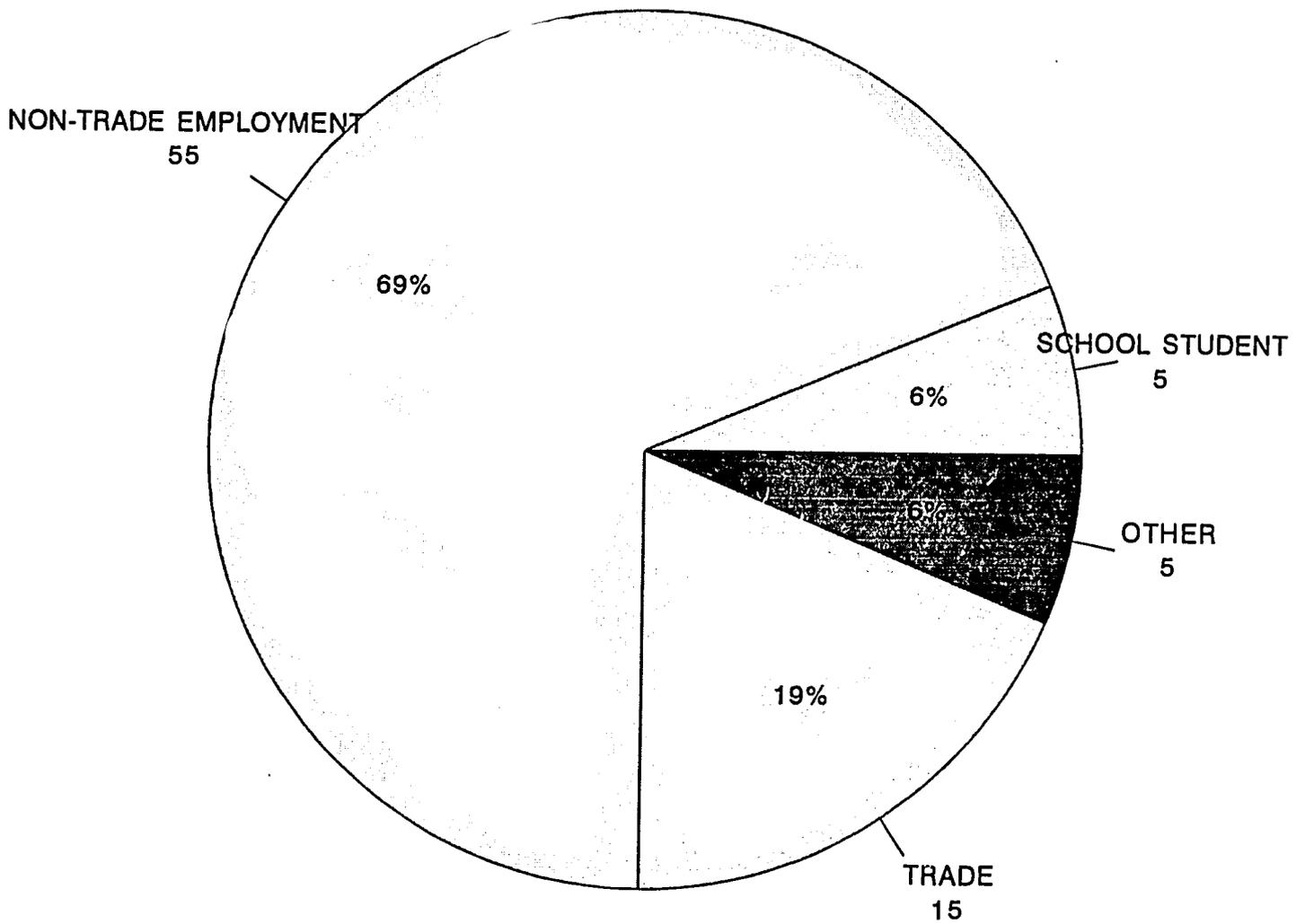
EDUCATION

NUMBER OF OBSERVERS



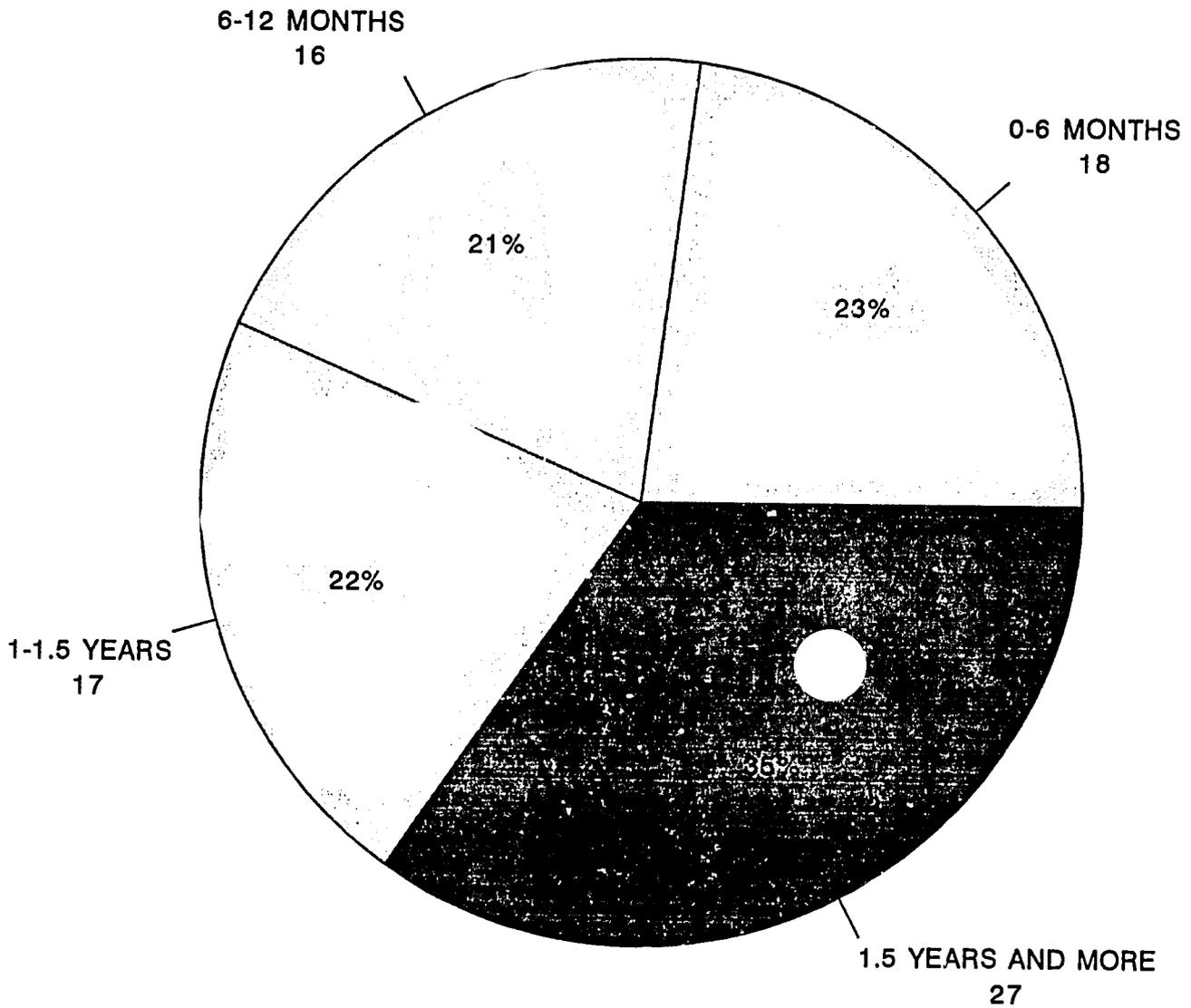
FORMER EMPLOYMENT

NUMBER OF OBSERVERS



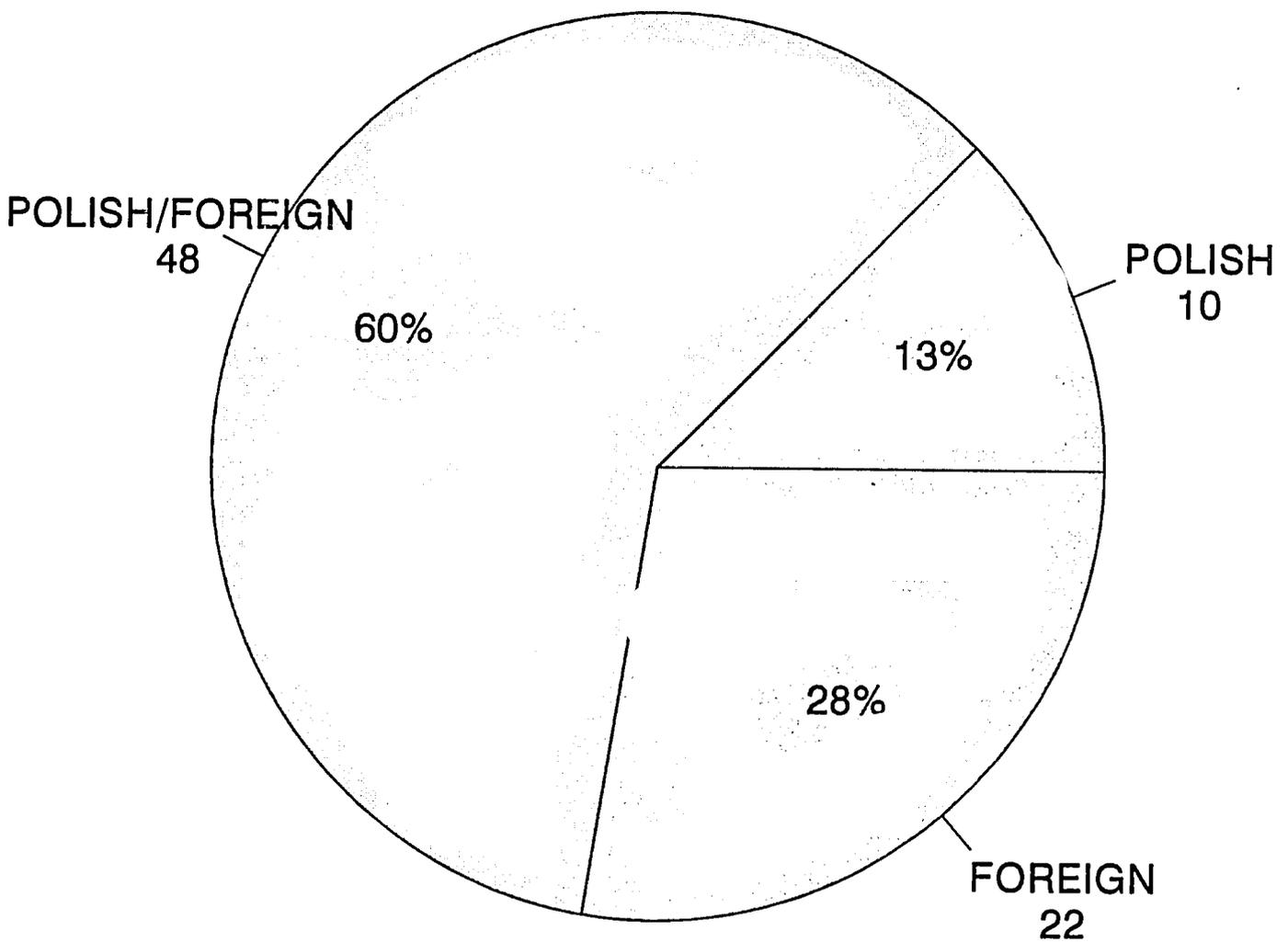
YEARS IN BUSINESS

NUMBER OF OBSERVERS

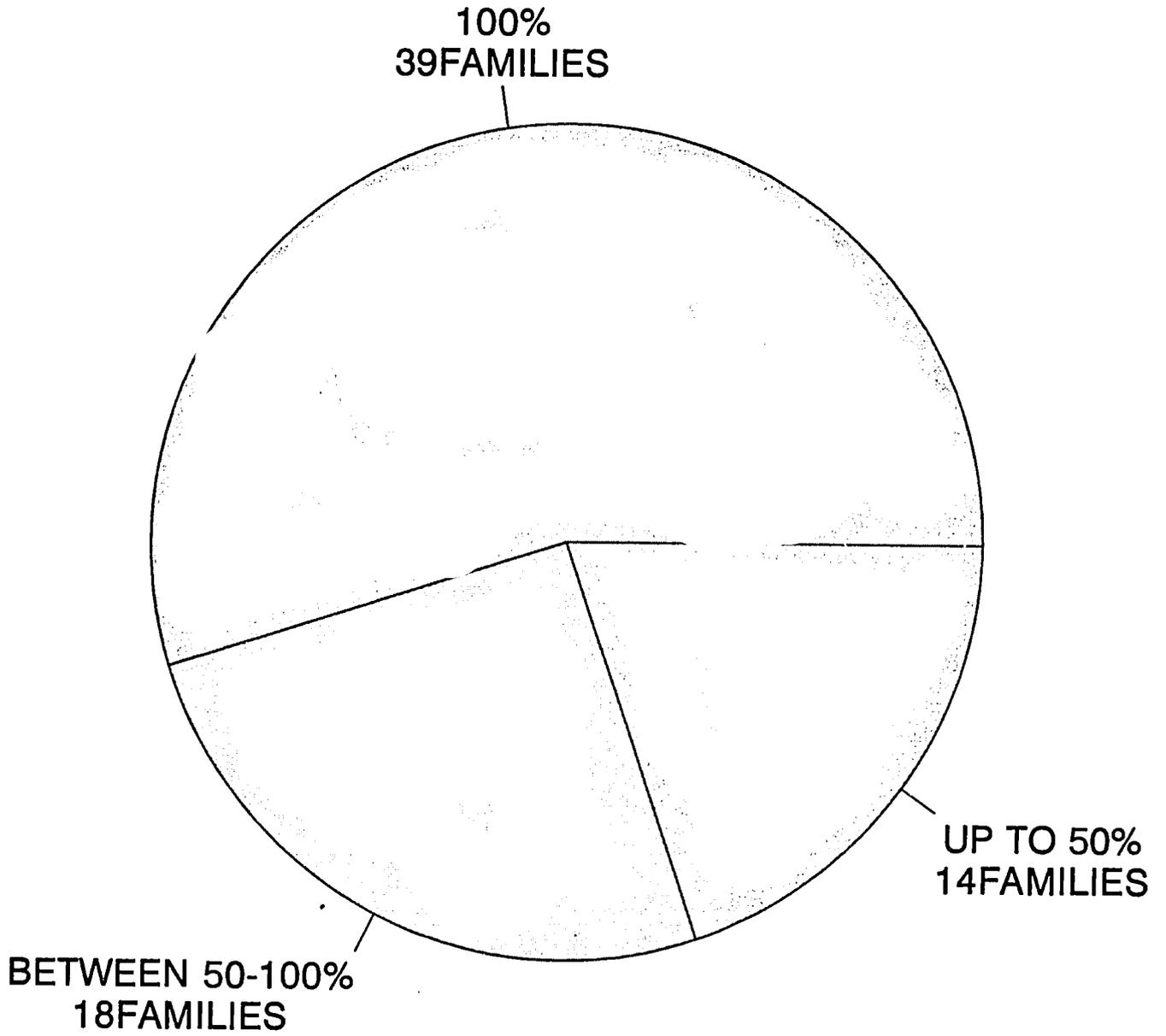


ORIGINS OF PRODUCTS SOLD

NUMBER OF OBSERVERS



IMPORTANCE FOR GENERATING INCOME



71 PEOPLE RESPONDED TO THIS QUESTION. OTHER 9 FROM THE SURVEY WORKED SOLELY TO SUPPORT THEMSELVES.

GEMINI PUBLICATION SERIES

GEMINI Working Papers:

1. "Growth and Equity through Microenterprise Investments and Institutions Project (GEMINI): Overview of the Project and Implementation Plan, October 1, 1989-September 30, 1990." GEMINI Working Paper No. 1. December 1989. [not for general circulation]
- *2. "The Dynamics of Small-Scale Industry in Africa and the Role of Policy." Carl Liedholm. GEMINI Working Paper No. 2. January 1990. \$5.50.
3. "Prospects for Enhancing the Performance of Micro- and Small-Scale Nonfarm Enterprises in Niger." Donald C. Mead, Thomas Dichter, Yacob Fisseha, and Steven Haggblade. GEMINI Working Paper No. 3. February 1990. \$6.00.
4. "Agenda Paper: Seminar on the Private Sector in the Sahel, Abidjan, July 1990." William Grant. GEMINI Working Paper No. 4. August 1990. \$3.00.
- *5. "Gender and the Growth and Dynamics of Microenterprises." Jeanne Downing. GEMINI Working Paper No. 5. October 1990. \$10.50.
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