

Communication from Public

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Comments for Public Posting: Please see the attached letter from the UCLA Labor Center.



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October 27, 2019

Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012

Re: Los Angeles Street Vending Permit System - CF 13-1493; 13-1493-S5

Dear Honorable Members:

Thank you for your work to legalize sidewalk vending in Los Angeles. As you now consider implementing permitting requirements with corresponding fees and procedures, I encourage you to take care not to unintentionally discourage participation during this very crucial early stage of formalizing a vulnerable and historically informal sector of our economy.

I am employed with the UCLA Center for Labor Research and Education (UCLA Labor Center), which is part of the UCLA Institute for Research on Labor and Employment (IRLE). As part of my work with the UCLA Labor Center, I serve as Professor of Labor Studies for the UCLA Major in Labor and Workplace Studies where I teach classes relating to low-wage workers, immigration, and the labor movement. In addition to my position with the UCLA Labor Center, I am Core Faculty for the Public Interest Law Program of UCLA Law School, where I teach a seminar for second-year law students enrolled in this program entitled, *Problem Solving in the Public Interest*, and another course entitled, *Community Lawyering and Low-Wage Worker Organizing*. Based on my background and experience, I consider myself a UCLA academic and legal scholar in the area of immigration, labor and the low-wage economy. I have published extensively in these areas, and many policy experts and elected officials have quoted and cited to my sources in numerous publications. My work over the years in many low-wage industries has focused on the impact issues relating to retaliation by employers against their workers when they exercise their rights to address labor violations. For the past few years, I have focused my work on sidewalk vending and the issues impacting street vendors throughout Los Angeles.

Sidewalk vending is an important part of our local economy. For many sidewalk vendors, this work is an economic lifeline. Individuals who turn to sidewalk vending may be excluded from other opportunities in the formal economy for a variety of reasons, including immigration status or a history of unemployment. Other vendors turn to the work because of the flexibility it provides – single mothers and caretakers are able to work around familial or other obligations. Still others vend as an opportunity to supplement meagre wages in other sections of the economy that are



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failing to keep up with the cost of living. Furthermore, sidewalk vending presents important micro-entrepreneurship opportunities for City residents hoping to create and build a business. It is imperative that the City take careful steps to ensure that new regulations will onboard vendors into our economy and promote greater economic mobility for low-income workers and entrepreneurs, not push them further into the shadows.

As your committee considers the proposal coming out of the Economic Development Committee - a \$291 annual permit fee to be increased to an undetermined level in six months - I hope you will consider the long-term economic benefits of having a lower barrier to entry at the beginning of a program. There are two major points to consider: (1) lower financial barriers to entry to program participation; and (2) achieving compliant participation through increased education and humane enforcement practices.

Lower Onboarding Costs to Decrease Barriers to Entry

Formalizing an informal sector of the economy necessarily brings with it both regulation and costs, especially at the outset, for workers. Sidewalk vendors often choose this line of business, even though the informal system brings a host of risks, because the barriers of entry to other similar businesses are much too high. The City should ensure they are not creating so many barriers as to lock out vendors from an opportunity to legalize a business they already operate. Depending on how complex and expensive these bureaucratic systems are, workers will have to make a choice whether to remain in the informal economy or to take the next steps necessary to formalize their businesses. Thus, the very success of the program depends on ensuring the barriers to entry are low and that there are sufficient resources to assist vendors as they enter the formal economy.

A wealth of literature on the informal economy supports the general conclusion that high costs and complex regulatory requirements will hinder efforts to formalize an informal sector. While your committee has the important responsibility of considering the costs and budget impacts to the city, and while reduced permit fees may mean less permit revenue in the near term, I urge you to consider the impacts in the long run. If high fees prevent participation from the outset, then many fewer vendors will participate and the city will forego any permit revenue from these vendors. On the other hand, if permit fees start low and increase only gradually in order to maximize immediate participation, then the pool of participating vendors will be much higher. The more vendors that have the ability to participate at the outset of the permitting program, the more likely that the system will be seen as inclusive, confer a sense of legitimacy on these micro-business owners, and ensure that government agencies are more effectively able to oversee the practices of vendors



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working throughout the city. This will yield even higher participation rates, and as a result, permit revenue will be much higher over the long term.

The currently proposed \$291 annual permit for vendors (down from the original proposal of \$541) is a step in the right direction towards ensuring that vendors are able to access the new permit regulatory system. However, it is important to recognize that a city permit fee only represents one cost that vendors must bear as they formalize their business. For example, vendors are required to obtain a state seller's permit (which may require a vendor to also obtain an Individual Taxpayer Identification Number (ITIN)), a city business license, a food handlers' permit, a Department of Health permit, and the appropriate equipment to pass a Department of Health inspection. Altogether it can run into the thousands of dollars, especially if vendors are required to upgrade their equipment. These costs, in the aggregate, continue to be a roadblock for many of the lowest-income vendors and will likely discourage many from participating in the formal program.

While some of the costs of entry are outside this Committee's immediate control, there are several very important actions you can take to promote a more inclusive and welcoming permitting program, which will serve to increase overall participation and maximize permit revenue over the long run.

- City permit fees should be set at a lower rate in the beginning. For example, the city of Chicago originally required a license fee of \$350. However, the city eventually realized that vendors often faced expenses of over \$1,000 after taking into account the various licensing requirements, including the Department of Health licenses. This led to a diminishingly small number of vendors that complied with the permit regulations. As a result, the city lowered the fee to \$100 for both the permit fee and the commissary fee that food vendors were required to pay in order to get health permit approvals.
- City permit fees should be reduced or waived for low-income vendors. The City's ordinance already allows an "ability to pay reduction" to 20% of administrative fine amounts for low-income vendors. The same model could be applied to permit fees, where vendors who are able to demonstrate low-income status would qualify for a permit fee that is 20% of the base permit fee.
- The City can reevaluate permit fees after successfully maximizing initial participation. The Sidewalk vending program already calls for annual evaluations, so permit fees could simply be included in this annual assessment.
- The City Council should initiate a sidewalk vending working group that includes representatives from the LA County Department of Public Health, LA County Department of Consumer and Business Affairs, Streets LA, EWDD, and other City and County



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agencies as appropriate, to convene, study and implement strategies to drive down costs of compliance for low-income sidewalk vendors.

Education and Humane Enforcement

In the 1990s, the city of Los Angeles approved a single vending district in MacArthur Park, and it quickly failed. This program offers many lessons on how to equitably implement a system more suited for the sidewalk vendors today, not least of which is that it is necessary to prioritize education and onboarding support over immediate punitive enforcement practices. I applaud the Bureau of Street Services (BSS) having committed to spreading information and educational material to vendors in the first months of legalization in lieu of citations. Continuing this approach with respect to permitting requirements will encourage business formalization and eventual program compliance.

It is important to begin this program with a soft touch. Many sidewalk vendors have operated outside of the formal economy for decades, and have a long history of negative interactions with law enforcement.

Thank you very much for your time and attention. If you have any questions, feel free to contact me at 213-480-4154ext. 209, or at vnarro@irle.ucla.edu.

Sincerely,

A handwritten signature in black ink that reads "Victor Narro".

Victor Narro
Professor, UCLA Department of Labor and Workplace Studies
Core Faculty, Public Interest Law Program, UCLA School of Law