

COMPARING THE ECONOMIC AND SOCIAL SECURITY OF FRANCHISE  
STREET VENDORS AND INDEPENDENT STREET VENDORS: CASE  
STUDIES OF KLONG TOEI COMMUNITY IN BANGKOK, THAILAND

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การเปรียบเทียบความมั่นคงทางสังคมและเศรษฐกิจของผู้ประกอบการแฟรนไชส์กับ  
ผู้ประกอบการอิสระ: กรณีศึกษาชุมชนคลองเตย กรุงเทพฯ ประเทศไทย

เมกมณี ฮาตะ

วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรมหาบัณฑิต  
สาขาวิชาการพัฒนาระหว่างประเทศ  
คณะรัฐศาสตร์ จุฬาลงกรณ์มหาวิทยาลัย  
ปีการศึกษา 2555  
ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย



เมกุมิ ฮาตะ: การเปรียบเทียบความมั่นคงทางสังคมและเศรษฐกิจของผู้ประกอบการแฟรนไชส์กับผู้ประกอบการอิสระ: กรณีศึกษาชุมชนคลองเตย กรุงเทพฯ ประเทศไทย (COMPARING THE ECONOMIC AND SOCIAL SECURITY OF FRANCHISE STREET VENDORS AND INDEPENDENT STREET VENDORS: CASE STUDIES OF KLONG TOEI COMMUNITY IN BANGKOK, THAILAND) อ. ที่ปรึกษาวิทยานิพนธ์หลัก: อาจารย์ ดร. ปกรณ์ สิริประกอบ อ. ที่ปรึกษาวิทยานิพนธ์ร่วม: รองศาสตราจารย์ ดร. นฤมล นิราทร, 60 หน้า.

เศรษฐกิจนอกระบบมีการเจริญเติบโตอย่างรวดเร็วในประเทศกำลังพัฒนา แต่แรงงานนอกระบบกำลังประสบปัญหาจากการขาดการคุ้มครองทางสังคม ผู้ประกอบการอิสระตามท้องถนนส่วนใหญ่ในประเทศไทยที่กำลังทำงานอยู่นอกระบบก็ได้รับการคุ้มครองทางสังคมน้อยมาก นอกจากนี้จำนวนของผู้ประกอบการแฟรนไชส์ที่ดำเนินธุรกิจบนถนนก็มีจำนวนเพิ่มขึ้น ซึ่งอาจจะเป็นโอกาสสำหรับผู้ผลิตอาหารข้างถนนที่จะผันตัวเองมาเข้าร่วมธุรกิจแฟรนไชส์ เนื่องจากงานที่ทำนั้นมีความ คล้ายคลึงกันมาก ดังนั้นงานวิจัยนี้จึงมุ่งหมายที่จะตอบคำถามต่อไปนี้: ทำไมผู้ประกอบการอิสระบนถนนจึงไม่เลือกที่จะผันตนเองเป็นผู้ประกอบการแฟรนไชส์? ระหว่างผู้ประกอบการอิสระบนท้องถนนและผู้ประกอบการแฟรนไชส์ ผู้ใดจะได้รับการคุ้มครองในเชิง เศรษฐกิจและสังคมดีกว่ากัน และเพื่อตรวจสอบปัญหาเหล่านี้ งานวิจัยนี้มีการศึกษาเปรียบเทียบระหว่างผู้ประกอบการแฟรนไชส์และผู้ประกอบการอิสระ ผู้วิจัยได้เลือกสององค์กรแฟรนไชส์เป็นกรณีศึกษา ได้แก่ ไก่ย่างห้าดาว และ ชายสี่บะหมี่เกี๊ยว ผู้วิจัยได้เลือกผู้ประกอบการอิสระที่ประกอบการค้าขายอาหารในหมวดหมู่เดียวกันกับผู้ประกอบการแฟรนไชส์ และเลือกขนาดการประกอบการที่เท่ากัน ทั้งนี้ได้ทำการสัมภาษณ์ผู้ประกอบการสิบราย

ผลการวิจัยพบว่า ผู้ประกอบการอิสระมีความมั่นใจในการเป็นเจ้าของธุรกิจของตนเอง ในขณะที่ผู้ประกอบการแฟรนไชส์เชื่อว่าพวกเขาจะได้รับรายได้ที่สูงขึ้น ในด้านความมั่นคงทางเศรษฐกิจ ผู้ประกอบการแฟรนไชส์ทำงานน้อยลงและมีรายได้เพิ่มขึ้นดังที่คาดหวัง ความรู้สึกต่อสภาพความมั่นคงทางสังคมของผู้ประกอบการอิสระและผู้ประกอบการแฟรนไชส์อยู่ในระดับที่ใกล้เคียงกันมาก เพราะบริษัทเจ้าของแฟรนไชส์ให้ความคุ้มครองทางสังคมแก่ผู้ประกอบการค่อนข้างน้อย

สาขาวิชา: การพัฒนาระหว่างประเทศ.....ลายมือชื่อนิสิต .....

ปีการศึกษา 2555.....ลายมือชื่อ อ.ที่ปรึกษาวิทยานิพนธ์หลัก.....

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COMPARING THE ECONOMIC AND SOCIAL SECURITY OF FRANCHISE STREET VENDORS AND INDEPENDENT STREET VENDORS: CASE STUDIES OF KLONG TOEI COMMUNITY IN BANGKOK, THAILAND ADVISOR: DR.PRAKORN SIRIPRAKOB CO-ADVISOR: ASSOCIATE PROFESSOR DR.NARUMOL NIRATHRON, 80pp

Informal economy workers suffer from a lack of social protection. However, most of independent street vendors in Thailand work informally with little social protection. Number of franchise enterprise businesses on the street is increasing and may indicate good opportunities for independent street vendor to convert themselves into the franchise street vendors due to similar nature of their work. This research attempts to answer the following questions: Why does independent street work as an independent street vendor? Which is the better choice between being an independent street vendor or franchise street vendor in the aspects of economic and social security? In order to investigate these issues further, this research conducts comparative study between franchise street vendors and independent street vendors.

In this case study, two franchise enterprises were selected: 5 Dao (Ha Dao, Five Star Grilled Chicken) and Chay 4 (Chay See, Chaysee Bamee Kieaw Thai Noodle). The researcher also analyzed independent street vendors with the same category of the food and the size of the food stall with franchise vendors.

It was discovered independent street vendors are confident in owning their own businesses while franchise street vendors believe they will earn higher income than independent street vendors. In regards to the economic security aspect, franchise street vendors work less but earn more. For the social security aspect, both independent street vendors and franchise street vendors experienced the same conditions even though independent street vendors were more aware of it.

Field of Study: International Development Studies Student's Signature .....

Academic Year: .....2012.....

Advisor's Signature.....

Co-advisor's Signature.....

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**LIST OF ABBREVIATIONS**

<b>ADB</b>	-	Asian Development Bank
<b>CSMBS</b>	-	Civil Servant Medical Benefit Scheme
<b>CSR</b>	-	Corporate Social Responsibility
<b>ILO</b>	-	International Labor Organization
<b>NGO</b>	-	Non-Governmental Organization
<b>SSI</b>	-	Social Security Insurance Scheme
<b>UNDP</b>	-	United Nations Development Programme

# **CHAPTER I**

## **INTRODUCTION**

The chapter provides the background of the study, significance of research, conceptual framework, research questions, hypothesis, research objectives, research scope and research methodology.

### **1.1 Background of the study**

The informal economy is especially growing rapidly in developing countries such as Thailand. Since informal economy workers are not registered, they suffer from a lack of social protection which may lead to unsecure conditions in terms of human security. As most of the independent street vendors in Thailand who are running business by themselves are working informally, they would appear lack social protection.

Furthermore, the number of franchise enterprise businesses on the street is increasing. It is sometimes considered beneficial for independent street vendors to become franchise street vendors. Their work conditions are extremely similar, so there is an opportunity here to explore and compare the conditions of independent street vendors and franchise enterprise businesses. Therefore, this research attempts to answer the following questions: What are the reasons that independent street vendors work as an independent street vendor versus not as a franchise street vendor? Which one is better, independent street vendor or franchise street vendor, in the aspects of economic security and social security? To what extent do independent street vendors have access to becoming franchise street vendors?

To answer these questions, this research conducted comparative study between franchise street vendors and independent street vendors in the aspect of economic security and social security and explained the ability of independent street vendors to become franchise street vendor.

## **1.2 Significance of the research**

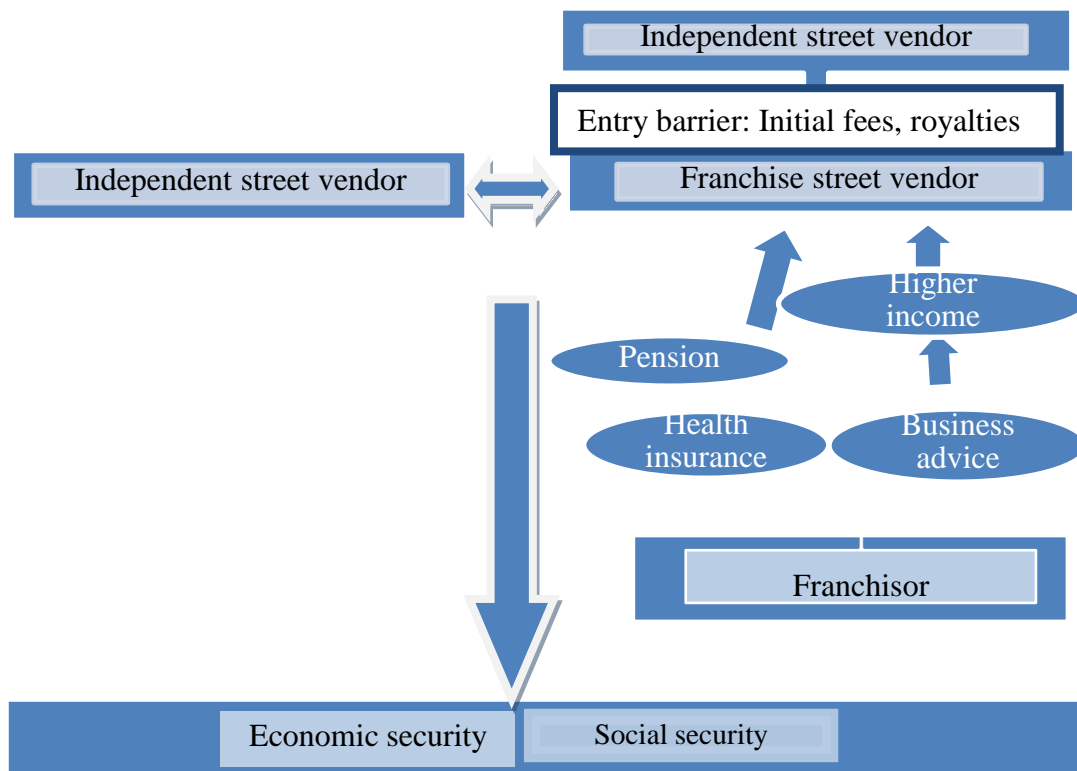
This research is significant since it tries to find out how informal economy worker can have better life. In Thailand, 24 million workers or 62 per cent of the combined workforce is working informally<sup>1</sup>(World Bank, 2011). However, informal economy workers suffer from insecure conditions since they are not legally recognized and can receive only limited legal protection. Indeed, 87 per cent of the city's slum dwellers were found to work in the informal sector in Bangkok (International Labour Office). Therefore, it is necessary and significant to consider how they can get social and legal benefits as well as better life. In this case study, the research focused on independent street vendors in Thailand who work informally. This research tried to find out how to improve the conditions of independent street vendors by comparing the independent street vendors with franchise street vendors who are doing the same kind of work.

## **1.3 Conceptual Framework**

Figure1: Conceptual framework on franchise street vendors and independent street vendors

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<sup>1</sup> The informal sector in Thailand is defined by the National Statistics Office based on a proxy of qualitative characteristics and the number of employees which is less than nine.



This research was framed around the concepts of economic security and social security. First, the research identified possible ways (accessibility) that independent street vendor should convert into franchise street vendors. Second, the research made a comparative study between franchise street vendors and independent street vendors in economic security and social security aspects. The study tried to find out whether there is an impact of advice by franchisor and social protection to economic and social security.

### 1.3.1 Economic security and social security

#### 1.3.1.1 Human security

Economic security and social security are aspects of human security. Human security concerned with human life and dignity(United Nations Development

Programme, 1994). The Commission of Human Security reports defines human security as: “Human security means protecting vital freedoms. It means protecting people from critical and pervasive threats and situations, building on their strengths and aspirations. It also means creating systems that give people the building blocks of survival, dignity and livelihood. Human security connects different types of freedoms – freedom from want, freedom from fear and freedom to take action on one’s own behalf. To do this, it offers two general strategies: *protection* and *empowerment*. Protection shields people from dangers. It requires concerted effort to develop norms, processes and institutions that systematically address insecurities. Empowerment enables people to develop their potential and become full participants in decision making. Protection and empowerment are mutually reinforcing, and both are required in most situations. Human security complements state security, furthers human development and enhances human rights. It complements state security by being people-centered and addressing insecurities that have not been considered as state security threats. By looking at “downside risks”, it broadens the human development focus beyond “growth with equity”. Respecting human rights are at the core of protecting human security”(Commissions of Human Security, 2003). Its approach parallels the movement in economic development and international law to shift the emphasis from instrumental objectives such as growth and states’ rights to human development and human rights. However, it does not cover all necessary, important and profound aspects of human living. Rather, it identifies and protects a limited vital core of human activities and abilities. These may be variously described by certain fundamental human rights, basic capabilities or absolute needs. Human security is an underlying condition for sustainable human development(Alkire, 2003). However, it

is criticized that the concept is too broad and lacks a precise definition(Roland Paris, 2001). This research focused on both economic security and social security.

### **1.3.1.2 Economic security**

Economic security requires an assured basic income. Economic insecurity is about risks and uncertainty. According to the World Development Report 2000/2001, much of the world's population lacks economy security (World Bank, 2000/2001). Without economic security, people lose all sense of having control over their lives(Robert Stock, 2002). In addition, human rights such as freedom from morbidity, freedom from fear, control of own development and sustainable self-respect cannot be achieved without economic security since freedom cannot exist without a certain level of economic security.

According to philosopher Isaiah Berlin, there are two types of liberty: a negative liberty and a positive liberty. The former is the absence of negotiations or controls and the latter is opportunity for making real choices about substantial matters of personal development(International Labour Office, 2004). It is important to seek freedom with economic to be able to make choices. In addition, the World Development Report 2000/2001 mentions that there are three pillars of poverty reduction which are facilitating empowerment, enhancing security and promoting opportunities (World Bank, 2000/2001). Therefore, economic security is important not only in economic aspect but also for freedom and empowerment. This study defines economic security as “to have assured income 300 baht per day which is minimum wage of Thailand to have control over one's life”. This research used income and working hours as an element to examine economic security since even the income is high, people can't have fulfill life and freedom if they work all days.

### **1.3.1.3 Social Security**



Social security is a universal need. It is recognized as a basic human right. However, today large amount of people are excluded from any type of statutory social security protection especially in the informal economy in most developing countries as governments cannot guarantee access to free health and education. According to research by the ILO on the informal sector, the definition of social security is “benefits that society provides to individuals and households through public and collective measures to guarantee them a minimum standard of living and to protect them against low or declining living standards arising out of number of basic risks and needs”(Wouter van Ginneken, 2003). The research will also use this definition. The two main components of social security are social insurance and tax-financed social benefits which provide protection for those who have little or no contributory capacity(Wouter van Ginneken, 2003). There are various kinds of social security such as health insurance, unemployment insurance, life insurance, accident insurance, disability insurance, pension and so on. Among many elements of social security, this research focused on health insurance, life insurance and pension to examine social security.

#### **1.4 Research Questions**

This research can be summarized into the following questions:

1. Why independent street vendors work as an independent street vendors and not as franchise street vendors?
2. How much access/ ability do independent street vendors have to become franchise street vendors?
3. How is the economic security of independent street vendors compared to franchise street vendors?

4. How is the social security of independent street vendors compared to franchise street vendors?

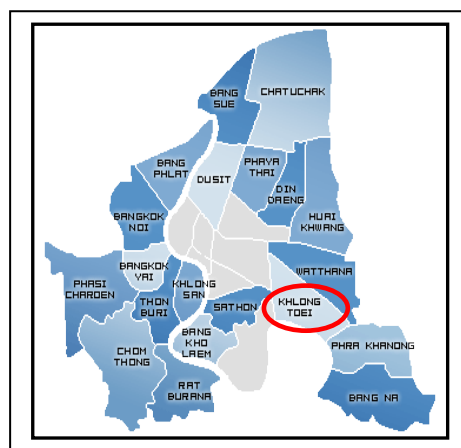
### **1.5 Hypothesis**

The reason that independent street vendors work as independent street vendors and not as franchise street vendors is because it is difficult to become a franchise street vendor due to fees and possibility other criteria. The initial investment of franchise street vendors is greater than that of independent street vendors because franchise street vendors have to pay fees for business rights, training and tools while independent street vendors need to only pay for tools they need. However, franchise street vendors are better in both economic security and social security than independent street vendors since the fundamental idea of franchise business is microfranchising. Since the poor are empowered by microfranchising, the research assumed franchise business should be good for street vendors in general. As for economic security, franchise street vendors earn more than street food vendors and have less possibility to fail due to training, marketing or financial support. The more difficult entry in terms of initial fee and criteria are offset by the greater long-term benefits. In terms of social security, franchise street vendors are better than independent street vendors since franchisors provide social protection to franchise street vendors while little social protection from the government is provided to independent street vendors who are working in the informal economy.

### **1.6 Research Objectives**

To frame the research, and to answer the research question, the objectives are follows:

1. To identify the reasons that independent street vendors work as independent street vendors and not as franchise street vendor
2. To identify accessibility/ conversion ability of independent street vendors to become franchise street vendors
3. To compare economic security between independent street vendors and franchise street vendors
4. To compare social security between independent street vendors and franchise street vendors



### 1.7 Research Scope

This research focused on the Bangkok, Klong Toei community as a case study. It is the largest informal settlement in Bangkok located near the Klong Toei Port, also known as Bangkok Port. This was Thailand's only major port for sea transportation of cargo. The community was created due to the large demand for unskilled workers in an urban area looking for low-cost housing and job opportunities (Worcester Polytechnic Institute & Chulalongkorn University, 2011). The slums were also formed because there is a large amount of business opportunity in the area since it is bordered by the Chao Phraya River and contains major port facilities. The researcher selected Klong Toei community as a case study because there are many franchise street vendors and independent street vendors running food stalls in the area due to the high density of population.

The researcher has selected two famous franchise enterprises as a case study because they composed a majority of franchisor in the area:

- Five star grilled chicken (Ha Dao) which supplies various kinds of grilled or fried chicken and khao man kai (Hainanese chicken rice)
- Chay see bamee kieaw Thai Noodle (Chay See), which supplies a local Thai dish of noodles with pork.

The researcher then randomly selected the independent street vendors who provide the same category of food as well as the same size of the food stall with franchise street vendors. Interviews were conducted in July 2012 with the help of staff from Duang Prateep Foundation which is the NGO working in Klong Toei. As for Ha Dao case, the researcher selected independent street vendors selling only khao man kai as a target to compare with Ha Dao franchise street vendor since there were not any independent street vendors selling grilled or fried chicken whose food stall is as same size as the Ha Dao franchise street vendors. In total, the researcher has conducted two interviews with each franchisor and ten interviews to vendors: 2 Chay See franchise street vendors, 3 Ha Dao franchise street vendors, 3 Thai noodle independent street food vendors and 2 khao man kai independent street food vendors opening food stalls in Klong Toei. The researcher has conducted interviews with all the street vendors in the area who satisfied the requirement but could not meet the same number of interviews. Besides, the size of the food stall of independent street vendors the research interviewed was bigger than general independent street vendors. The researcher attempted to find independent street vendors who have tables and seats in food stall which are as same size as franchise street vendors but in general, independent street vendors do not have these. Since the scale and size of independent

street vendors is different, the outcome of this research might not apply to all independent street vendor case.

## **CHAPTER II**

### **LITERATURE REVIEW**

This literature review is intended to give an overview of the existing research on the lack of social protection in the informal economy, especially the current situation and challenges of independent street vendors in Thailand and franchise businesses which are competing with independent street vendors.

#### **2.1 Informal economy**

Since it was first introduced by International Labor Organization in 1972, the term ‘informality’ has been used to describe economic activity that is broadly characterized by ease of entry, reliance on indigenous resources, family ownership, small scale operations, labor- intensive and adaptive technology, skills acquired outside the formal sector and unregulated and competitive markets(International Labour Office, 1972). Today, most of these characteristics remain valid.

However, after the thirty years of further research, the concept has expanded. The expanded conceptual definition of informal employment is thus generally defined by lack of secure labor contracts, of worker benefits or social protection, both inside and outside the informal enterprises(International Labour Office, 2002). This expanded definition considers informal employment in terms of “all remunerative work – both self-employment and wage employment – that is not recognized, regulated or protected by existing legal regulatory frameworks as well as non-remunerative work undertaken in an income-producing enterprise(International Labour Office, 1993). Some scholars insist that workers in informal economy choose to work there because they do not have to pay tax. Indeed, workers in the informal

sector often pay less but they also get less. However, as the research identify later in the social protection section shows, social protection is necessary to have safe life. Therefore, it is important to identify ways to provide social protection to worker in the informal economy.

The research considered independent street vendors are informal economy workers since they are self employed and not legally registered. On the other hand, the researcher considered franchise street vendors are formal economy worker since they are legally recognized by franchisor. However, it doesn't mean franchise street vendors certainly have social protection. It will be identified in the research.

It is estimated that informal employment comprises about 65 percent of non-agricultural employment in developing Asia, 51 percent in Latin America, 48 percent in North Africa and 72 percent in sub-Saharan Africa in 2008 (International Labour Office, 2008). In addition, in the 2008 national statistics of Thailand, informal workers accounted for 63.8 percent of employed persons<sup>2</sup> (Narumol Nirathron, 2009). It has been growing rapidly in last three decades. The reason that informal economy is expanding is because of high rates of population growth, urbanization and lack of jobs. The informal economy tends to absorb most of the growing labor. Large amount of people can work thanks to the informal economy. Moreover, the informal economy is related to gender issues. According to the Thai Department of Labor, 82 percent of enterprises with less than four employees are owned and operated by women, sometimes with the help of their husbands and children (Gisele Yasmeeen, 2001).

The cost of informal self-employment is lack of secure work, social protection, training and career prospects, legal status, organization and voice (Martha

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<sup>2</sup> Agricultural workers accounted for highest percentage (57.5%).

Chen, 2005). Since the data is limited, it cannot necessarily be said that average wages or earnings are higher in formal employment than in informal employment. Some say that most of the working poor are informally employed and most informal workers are poor (Women In Informal Employment Globalizing and Organizing, 2010). On the other hand, independent street vendors who work informally may earn twice as much as the average daily wage general worker in Bangkok (Chuthatip Maneepong & John Walsh, 2009). In either case, what is important is not only profit but also the associated social welfare and security which offer protection and solutions to the poor.

## **2.2 Independent street vendors in Thailand**

There are many people working informally as an independent street vendor because of ease of entry, low cost of investment as well as schedule flexibility which is an attractive factor for some women who are taking care of children and doing housework (Monique Cohen, 2000). The street vendors are engaged with food preparation and sales, operating with minimal resources and surviving on subsistence-levels of revenue and costs. They sell various types of food, from non-cooked, such as fruit, to cooked food, such as noodles. Among all types of vendors in Bangkok, the highest percentage of street food vendors sell cooked food (Narumol Nirathron, 2006). There are two types of independent street vendors; the mobile street vendor who moves from one place to another when they are selling and the fixed vendor who is permanently located. This research will focus on independent fixed street vendors supplying cooked food.

There is no concrete number of how much profit independent street vendors gain. The economic performance of independent street vendors is diverse (Narumol



Nirathron, 2005). Some fail and run into debt, while some succeed and expand. Since it is easy to start such a business, many see it as an attractive start it considering as a business opportunity. The success factors of independent street vendors are self-confidence, knowledge of cheap materials, selling location and place of residence, taste and price(Narumol Nirathron, 2006).The challenges for independent street vendors is cleanness of food preparation, hygienic condition of selling areas and use of chemical substance in food (Narumol Nirathron, 2006).

However, regardless of how much profit they gain, they are still vulnerable to market change because of the subsistence level of revenue and costs(Chuthatip Maneepong & John Walsh, 2009). For example, the health and safety problems of independent street vendors are exposure to weather, poor sanitation from dirty streets and poor drainage, diseases transmitted by vermin, lead poisoning and respiratory problems in vehicle fumes and risk of physical harm from both authorities and the publics (Chen, 2005). Even though, there is high possibility for independent street vendors to have health issues, little protection is provided from the government. They have to close their shops when they become sick and are forced to rely on savings. Therefore, while income is important some forms of social protection are also essential.

### **2.3 Social protection**

The poor are typically most exposed to diverse risks, both natural (such as illness or flooding) and man-made (such as unemployment or war). Natural disasters, bad weather and health-related problems have always been a concern for individuals and society. These risks have given rise to individual precautionary strategies and, perhaps more importantly, the creation of informal exchange based risk sharing

mechanisms, through extended families, mutual gift giving, egalitarian tribal systems, crop-sharing arrangements with landlords, etc. Much of the population in developing countries still relies largely or exclusively on these informal arrangements to deal with risk. However, industrialization and urbanization brought two important changes: a break-down of traditional and informal risk-sharing mechanisms and the introduction of new risks, most importantly work-related accidents and unemployment (Robert Holzmann & Steen Jorgensen, 2001). Therefore, the street vendors on which this research focuses are working informally and independently, there is no protection system for them from poverty.

The poor themselves have fewest instruments to deal with risks. Sickness of a family member can result in costs which destroys the delicate balance of the household budget (Roger Beattie, 2000). It is said that between one-fifth and three-fifth of the people below the “poverty line” are not permanently poor but have been pushed into consumption poverty by life-cycle events (such as family formation) or, more often, by income losses (such as unemployment and sickness), special needs (such as medical treatment) or the lack of income transfer over time (Saurabh Sinha & Michel Lipton, 1999).

Social protection has a strong focus on poverty reduction and on providing support to the poorest (Barrientos Armando, 2008). However, among the world population of 6 billion, less than a quarter have access to formal social protection programs, and less than 5 percent can rely on their own assets to successfully manage risk (Robert Holzmann & Steen Jorgensen, 2001). There are three developmental roles for social protection in developing countries. First, it helps protect basic levels of consumption among people who are in poverty or in danger of falling into poverty. Second, it facilitates investment in human and other productive assets which alone

can provide escape routes from persistent and inter-generational poverty. Third, it strengthens the agency of those in poverty so that they can overcome their predicament (Armando, 2009a, 2009b). Social protection can be grouped into three main headings: social insurance, social assistance and labor market regulation. Social insurance is financed from contributions from workers while social assistance is tax-financed for the poor who cannot afford it by themselves (Armando, 2011).

There are various kinds of social protection such as health insurance, unemployment insurance, life insurance, accident insurance, disability insurance, pension and so on. This study will concentrate on health insurance, life insurance and pensions which are one of the most important elements of social protection.

### **2.3.1 Social protection in Thailand**

#### **2.3.1.1 Health insurance in Thailand**

Since 2001, there have been three types of health insurance available in Thailand. First, there is the Social Security Insurance Scheme (SSI) for formal sector employees in private sector with over ten employees benefits for non-work related sickness, maternity, invalidity and funeral grants. It covers the workers themselves and has not been extended to the families of workers except for maternity benefits (Viroj Tangcharoensathien, Anuwat Supachutikul, & Jongkol Lertiendumrong, 1999). Informal economy worker can join this if he/she pays however it is too expensive to afford. Second, there is the Civil Servant Medical Benefit Scheme (CSMBS) for public employees and their dependants. Third, there is the Gold Card Scheme which seeks to provide universal health care coverage (Chutima Suraratdecha, Somying Saithanu, & Viroj Tangcharoensathien, 2005). The gold card scheme was implemented by the government of Thailand to provide health care to uninsured citizens (Chutima Suraratdecha, et al., 2005). Registered members can receive most

health services at 30 baht. Funding is provided from government tax revenue to health care facilities according to number of local residents who have registered with the facilities. Elderly people, children and poor people can receive a special version of the registration card and have no requirement to pay. The reforms raised public health spending from 66.25 billion baht in 2000-2001 to 72.78 billion baht in 2001-02.

While the scheme does provide some measure of coverage, it does not go far enough. It has been found that the scheme covers 47.1 million people, which is 75.2 percent of total population, and it brought overall coverage by Thailand's public health insurance schemes to 100 percent in 2004 (David Hughes & Songkramchai Leethongdee, 2007). On the other hand, some research found that 8.9% of interview respondents still lack any insurance (Chutima Suraratdecha, et al., 2005). In addition, some argue that 30 baht is still too expensive for the poor and vulnerable (Apiradee Treerutkuarkul, 2012). Furthermore, there is criticism of the limitations of the insurance cover. Some high-cost and chronic disease treatments are subject to cost ceilings. Also, only accident and emergency care are treated outside the registration area of the card holder. The gold card scheme has the potential to benefit the health insurance provision of the workers in the informal economy but further improvements are needed in these areas.

### **2.3.1.2 Life insurance in Thailand**

Currently, there is no social assistance for life insurance in Thailand even though there is higher possibility for workers in the informal economy to die because of the non-regulated working conditions. In addition, the size of the economic burden on the surviving family members is often more significant for the informal workers compared to the general population since they earn so much less. Therefore it is important for informal worker to have life insurance.

### **2.3.1.3 Pension in Thailand**

Currently, the pension system of Thailand has a highly formal sector- centered structure. People over 60 years old who work in the informal economy can get access only to the “Universal Tax Financed 500 baht Scheme”. However, providing only 500 baht per month is not enough, Indeed, the ILO suggested an increase to 1000 baht in 2009 to Ministry of Finance(International Labour Office Social Security Department, 2009). In 2010, the number who were registered as 500 baht pension recipients was approximately 77.5 percent of elderly population, while 1.22 million elderly people have not yet registered with the scheme(World Bank, 2011).

There are three other sources of funding for worker protection. First, there is the National Saving Fund, for those who are not covered in any pension schemes(World Bank, 2011). Under the program, workers contribute from 100-1000 baht per month and the government will match the amount according to age. Second, the Amendment of the Social Security Fund Act, made provision for four types of compensation: sickness, maternity, disability and death. Covered under the system is provided with additional estimated expenses of 2,452 baht per person. Third, in many areas of Thailand, there are community based social welfare funds to solve the problem of lack of publicly provided social welfare services. However, considering the precarious state of the informal economy worker living day by day, the government should look for ways to provide more equitable support to all workers.

### **2.3.1.4 Conclusion**

Thailand provides both health insurance and pensions to informal economy workers. However, existing research concludes that it is insufficient. The ILO is promoting a minimum set of social security benefits for all, the so-called ‘social protection floor’. Based on such a floor, higher levels of social security should then be

achieved when economies develop and available fiscal space for re-distributive policies widens (International Labor Office, 2009). Therefore, Thailand which is a middle income country, should be in a position to provide better social protection.

## **2.4 Franchise enterprise**

### **2.4.1 Franchise business concept**

A franchise is an agreement and license between two legally independent parties. The franchisor gives the right to use a market product or service and supply support to franchisee who pays a fee for right. There is a vast range of franchise businesses, from fast food outlets to maintenance and building construction. In Thailand, food franchise accounts for 21.98 percent, beverage and ice-cream accounts for 19.23 percent and all other categories are less than 10 percent. The advantage of being a franchisee is that he/she can do business with a certain level of independence but also increase the possibility of business success because he/she is associated with brand name, proven products and methods. The franchisor provides financing and training support to franchisee. The franchisor can then focus resource investments on the key functions that support competitive advantage, such as establishing the franchise brand and ensuring the delivery of consistent, high-quality service through the franchise (Geoffrey M Kistruck, 2011, 77). The disadvantage is that franchisee is not completely independent. In addition, the franchisee has to pay both the initial fee and ongoing royalties(International Franchise Association).

For the street food vending sector, franchising is a significant factor because it is believed that franchise food is clean and hygienic since the franchisor must follow the strict rules of the franchisee. This gives an advantage to franchise street vendors because people are more cautious about the cleanness and hygiene of food provided

by independent street vendor. Some figures suggest that franchise vendors have a higher possibility of success than independent street vendor. Business failure rate figures disseminated by individual franchisors and the International Franchise Association suggest that 92 percent of franchise business startups are still in business at the end of five years, while only 23 percent of the independent firms survive. On the other hand, some would question the validity of this research and point to the lack of conclusive evidence about franchisee survival rates. It is difficult for a young franchise small business to succeed because of many associated costs that are specific to the particular franchise organizational form, such as upfront fees to the franchisor, royalty fees, marketing fees and so on (Timothy Bates, 1994, 76). Either way, there is intensive competition between vendors. It goes without saying that some franchise street vendors fail. The reasons for failure are not only because of the vendor but also because of visibility of franchisor. During the field work, the researcher found an independent street vendor who used to be franchise street vendor but failed because the franchisor was not well-known.

In Thailand, the franchise business market is growing rapidly. Between 1000 to 4000 people are applying to be franchisee every month(Thai Franchise center).There are franchisor enterprise businesses on streets in Bangkok which work in an extremely similar fashion to independent street vendors. Currently, according to Thai Franchise Center.com<sup>3</sup>, there are about 15 franchisor opening 6000 food stalls on

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<sup>3</sup> ThaiFranchiseCenter.com is the largest franchise business portal in Thailand. It provides information on investment, franchise SME articles, free download about related business , a worldwide franchise directory, SME market, rental space, market place, community mall, local and international trade fairs, seminars and training for entrepreneurs, on over 50,000 daily pages (1.5 M monthly pages view). Its vision is to be a central franchising portal matching franchisors and franchisees.

streets in total(Thai Franchise center). The average initial investment of franchise business on the street is 25,727 baht.

## **2.4.2 Franchise business as inclusive business: Microfranchise**

### **2.4.2.1 Inclusive business**

Inclusive business is a concept to reduce poverty by encouraging companies to do business with the so-called “bottom of the pyramid” poor, those living on less than 2 USD per day. This concept was first introduced by Prahalad and Hartin in 2002(United Nations Development Programme, 2010). Until then, companies had focused on high or middle income groups and individuals since it was thought that poor will not bring profit and are difficult to reach. This interest in inclusive business stems for the perception that the model has a variety of benefits for both the poor and the companies involved.

#### **2.4.2.1.2 Benefits for the poor**

First, the poor often suffer from a “poverty penalty.” Sometimes they pay more than rich consumers do even for products and services which are human basic needs. For example, people in the slums of Jakarta pays five to ten times more for the water than high income areas of those cities and, surprisingly, it is more than consumers in London or New York. The poverty penalty also occurs in credit, electricity and health care. One reason for this is that there is no competition between suppliers. This view of poverty holds that the poor are not poor because they do not have much money but because they do not have access to opportunities for empowerment such as education, health care, and credit to start a business. Therefore, inclusive business can promote human development or human security by solving poverty penalty and give opportunities to access to human basic needs.



Second, inclusive business models include the poor not only on the demand side as customers but also on the supply sides as employees and at various points in the supply chain since poor know about themselves the most. This model provides more, or more regular, income than the informal economy. In addition to a wage, it often gives the poor the chance of empowerment through education or micro-finance to improve their quality of work. For these reasons, inclusive business is very significant. International organizations such as UNDP, ADB and developed countries are paying close attention to it. Indeed, there are many success stories where inclusive business has empowered the poor.

#### **2.4.2.1.3 Benefits for companies**

Inclusive business is effective for companies for three reasons. First, while the amount of money each person spends is little, the total income generated is significant. Prahalad and Hartin argued that it can be profitable and sustainable because the 4 billion people at the bottom have a combined income of about five trillion dollars, which is similar to the gross national income of Japan. However, since profit margins are small, goods or services need to be distributed broadly and sold on a large scale. Second, since there is not much competition at the bottom of the pyramid, unlike in normal markets, companies may be able to dominate the sector, sell more easily and generate more profit. Third, there is a possibility that these people will have more income and be better customers in future, once their income levels rise. Doing inclusive business with the poor is significant for companies with a long-term vision. Finally, inclusive business is one way to improve the brand image of company. It can be used as a CSR. Thus inclusive business can benefit both companies and the poor.

#### **2.4.2.2 Microfranchising**

Microfranchising can be regarded as an extension of the inclusive business model and as such is an effective development tool for the poor. Advocates have seized on microfranchising as a natural complement or follow-on to the widely acclaimed successes of the microfinance sector, which provides small-scale finance services to over 150 million of the world's poor (Deborah Burand, 2010, 75). It develops and promotes, through sales, small business that the poor can afford to enter and to operate (Lisa Jones Christensen, 2010, 72). Therefore, opportunities to work in microfranchise are important. Being involved in a microfranchise, one accrues benefits not available to those outside the franchise, such as access to training, formal marketing collateral, legal protection as a certified vendor and other benefits (Gibson S, 2007, 74). For a man or woman living one or two dollars a day, owning a microfranchise may prove to be a critical first step toward building a more sustainable livelihood (Deborah Burand, 2010, 75).

There is no common definition of microfranchise. Some have called it “a scaled-down franchise with a small enough tag that low income people can afford it.” Others have described microfranchising as “a variety of franchise types to impact poverty by facilitating job creation, economic activity and distribution of goods and services to the base of the pyramids markets which people living less than 2 USD per day”. The range of affordable franchise prices has been identified at 25 USD to 25,000 USD, while the average US franchise costs roughly 250,000 USD (Deborah Burand, 2010). Since the average initial investment of a Thai franchise on the street is 25,727 baht, which is 82,300 USD<sup>4</sup>, not all of these can be considered as microfinance. However, since there is a huge difference in initial investment: the most

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<sup>4</sup> 1 THB= 0.3222 USD Currency rate of 08/09/2012

expensive one being 50,000 baht, while the cheapest is 5,000 baht, some can be considered as microfranchise, while some are not.

Microfranchising and commercial franchising may have less in common than meets the eye. First, the objectives of microfranchisors and mainstream commercial franchisors are likely to be very different. Generating financial returns for microfranchisor appears to be a secondary consideration for many microfranchise networks, although financial stability at the network level is a long term goal for many microfranchise networks (Deborah Burand, 2010, 75). Commercial franchisors, of course, must be mindful of the financial performance of franchisees if the system is to succeed. But the emphasis is different: put simply, commercial franchisors launch franchise programs primarily to benefit themselves, with potential side benefits to franchisees, whereas many of today's microfranchisors appear to be launching their microfranchise programs primarily to benefit the poor. Microfranchising and commercial franchising also differ markedly in the nature and capabilities of the franchisees since microfranchisees are drawn from poor populations who are less educated, have less credit and live in rural areas.

Despite these significant differences, commercial franchising can contribute much to microfranchising efforts since the systems are is similar. Firstly, as unlikely as it may seem today, mainstream commercial franchisors might consider offering their own microfranchise brands. Secondly, commercial franchising can contribute to microfranchising by providing ideas to structure and to manage microfranchised brands. A microfranchisor can readily draw on the vast body of materials and resources from the franchise business which is already developed.

Microfranchising has developed out of the business franchising. However, the literature reveals that there has been lack of academic study on comparing

independent street vendors and franchise street vendors. The research will find out why independent street vendors decided to work as independent street vendors informally rather than in the more secure franchised street vending operations.

## **CHAPTER III**

### **METHODOLOGY**

This research is a secondary research used qualitative methodology, which was carried out by documentary research, semi-structure interviews and observations. Multiple sources of data and different research methods were used to ensure that the findings are consistent and valid.

#### **3.1 Documentary research**

Four major types of documents and subject themes were studied and analyzed to answer the research questions

- Human security concepts especially economic security concepts and social security concepts
- Informal economy concepts and challenges
- Street food vendor concepts and challenges in Thailand
- Thai domestic law of health insurance, life insurance and pension
- Franchise business concepts and effectiveness
- Inclusive business and microfranchising

Most of these documents are from reports and studies of international organizations, NGOs, academic institutions, journal articles and newspapers.

#### **3.2 Interviews**

##### **3.2.1 Interviews with street vendors**

5 interviews with franchise street vendors and 5 interviews with independent street vendors

- Qualitative interviews to get the story behind a participant's experiences and to cover both a factual and a meaning level
- Semi-structured interviews to get information as much as the researcher can
- In-depth interview since it is useful when the researcher wants detailed information about a person's thoughts and behaviors or want to explore new issues in depth
- One on one interview. Firstly, because the private information is included in interviews. Secondly, because the researcher wanted to conduct interview in front of each food stall.

The interviews were conducted in the food stalls/ work place and which is the interview questions compromised of written lists of topics and questions which can be divided into three parts;

- Informant background
- Food stall background
- Information about health insurance, life insurance, pension and the reason for work in current position

The interviews were conducted in Klong Toei community which is the biggest informal settlement in Bangkok in July 2012. The researcher selected Klong Toei community as a case study because of 2 reasons. Firstly, it is because there are many street vendors running business there due to the high density of the population. Secondly, this study tried to focus on vulnerable people. It was selected because land is cheaper than other area and some of the vendors lived in slum either.

Among the various types of franchisors running businesses in Klong Toei, Chay See and Ha Dao were selected for the case study because of two reasons. Firstly, they accounted the greatest proportion in Klong Toei community. It is so famous that the impact they have not only to franchise vendors but also to society and independent vendors is large. Secondly, they provide different type of food. Ha Dao provides grilled or fried chicken while Chay See provides Thai noodle with pork. Therefore, the research tried to find out whether there is a difference between them because of type of food they provide.

The research selected matching independent street vendors who run the same size of food stall as well as a same category of food. Since most of the food stall of franchise street vendor have tables and seats, the research could not select vulnerable independent street vendors who only have food stall for the case study. Therefore, the research findings might not be applied to general independent street vendors. In total, the researcher conducted t10 interviews with the street vendors in Klong Toei community who satisfied the requirement.

### **3.2.2 Interview of franchisor**

Interviews of the staff of Chay See and Ha Dao which are the franchisor the research focused on were conducted by E-mail as their request. The interview questions were about basic information of franchise system such as initial fee and royalties. The researcher double checked further information which is not on Thai franchise COM(Thai Franchise center) but also the same information to prove that it is correct. However it was quite difficult to collect information because of secrecy of company. For instance, the research couldn't find out the marketing strategy of franchisor.

### **3.3 Observation**

The interviews gave the researcher information about the economic situation and social situation of franchise street vendors and independent street vendors. The interviews were supplemented with vendor observation. The observations were carried out in order to find out surroundings, how vendors are doing business and how busy they are.

### **3.4 Back ground information of franchise enterprise**

#### **3.4.1 Chay See franchise business**

Chay See whose English name is Chay see bamee kieaw Thai Noodle was established in 1994. It provides Thai noodles with pork. Currently, there are 2100 branches including 30 branches in Laos and Cambodia. It expands 100 branches per year in average. Entry fee is about 57,420 baht which includes the fee of 46 equipments needed. The vendors need to pay around 1,400 baht every year as royalties. The average income of franchise street vendor is around 31,500 baht per month. It provides training for three days before the sales for free. According to Chay See, If you paid 1400 baht/year for franchise fee, you will get the following four

- Birth: expense for 4 child-deliver, including 2 of your own, and 2 of your niece or nephew. 1400 baht each
- Poor: Get the discount coupon for normal goods as determined from time to time by the company
- Sick: If you hospital bill paid for more than 14000 Baht/time, you will get 1400 baht /year
- Dead: get 104,000 baht for death case



However the Chay See franchise street vendor the research interviewed didn't have any idea of it except the life insurance. The research couldn't find the reason of it.

Vendors have to wear apron which were provided by Chay See. Vendors have to buy only noodles from Chay See. For all other ingredients from spices to soup, it depends on vendors whether they buy from Chay See or not. One Chay See vendor the research interviewed only buys noodle from Chay See while another buys noodle, wonton and pork minced ball. It is more expensive to buy from Chay See than from general market. The price of ingredients change according to price of commodity, while the sales price always stays the same. Therefore, inflation reduces the profit of vendors. Besides, vendors can decide the price of noodles they sell by themselves. One of the interviewee was selling all the Chay See noodles for 30 baht each which is cheaper than general Chay See noodle price since she wanted to sell at a low price which is cheap enough for all the people in Klong Toei can buy.

### **3.4.2 Ha Dao franchise business**

Ha Dao whose English name is Five star grilled chicken is a subsidiary of Charoen Pokphand Foods Public Company Limited Thailand, the largest food corporation in Thailand which operates fully integrated agro-industrial businesses comprising the manufacturing of animal feed, animal farming, the manufacturing of food products and the food retailer business. It is the largest street brand in Thailand for one of the lowest startup costs available, numerous types of businesses and consistently increasing market share. Since 1985, when Ha Dao was established, it has expanded continuously. First, it was selling only grilled chicken but started to sell fried chicken from 2006. These days, there are various kinds of menu so that franchise vendor can choose what to sell. The vendors need to wear the uniform that company provided. To bring in the item which is not part of cart or not integrate with the

company's appliances is not allowed. It is stricter than Chay See. Currently, there are 3200 branches and it is expanding to Indochina market.

The franchise vendor must be Thai Citizen under 45 years of age. The location should be right through the archway approved by Ha Dao staff. It only requires 15,000 baht as a startup fee<sup>5</sup>. It includes deposit of 3,000baht for devices which will be returned when it goes as a startup fee. This fee covers the uniform, the kiosk (for the indefinite contract period), initial raw materials, marketing materials including promotion stickers, signs, banners, flags and even light signs. The vendors need to join the trainings which cost 250 baht per person for at least four days until he/she is qualified. After the training, the staff of Ha Dao comes to the food stall which the vendor owns and test in practice.

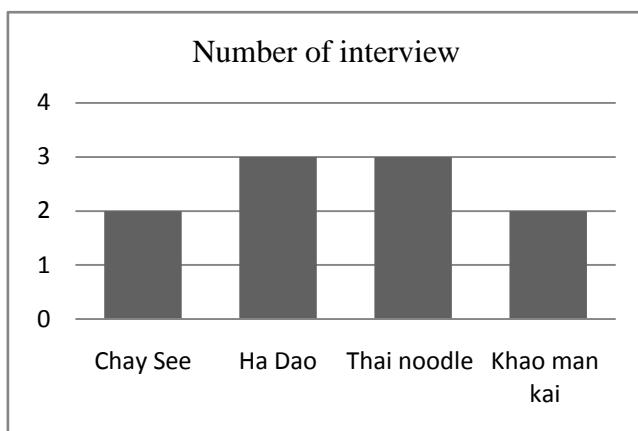
As for the franchise system, they deliver raw materials to vendors on a daily basis as per their requests. It is more expensive than general ingredients. The price will be changed according to the market rate while the sales price is always same. Therefore, inflation reduces the sales of vendor. Unlike Chay See, the price of goods is fixed. The percentage of profit differs depending on goods. They also provide additional marketing material for new products and promotions, various types of guidance such as financial, operation and sales technique advice. However neither health insurance nor pension is provided from Ha Dao.

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<sup>5</sup> It can be regarded as microfranchising either according to definition as the initial investment of microfranchising is from 25 USD to 25,000 USD.

### 3.5 Back ground information of interviewee

Figure 2

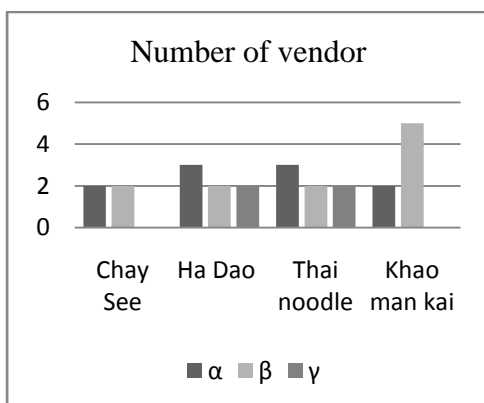


(Field interview, July 2012, Klong Toei)

The figure shows the number of interviews conducted. The number was limited by the size of the area and the size of the food stall. Though the vendors were selling the same category of food in the similar size of food stall, they do business in different ways from one another. The research overviews the fundamental information about vendors and at the same time compares independent street vendors and franchise street vendors in various aspects.

#### 3.5.1 Number of vendors working at the food stall

Figure 3

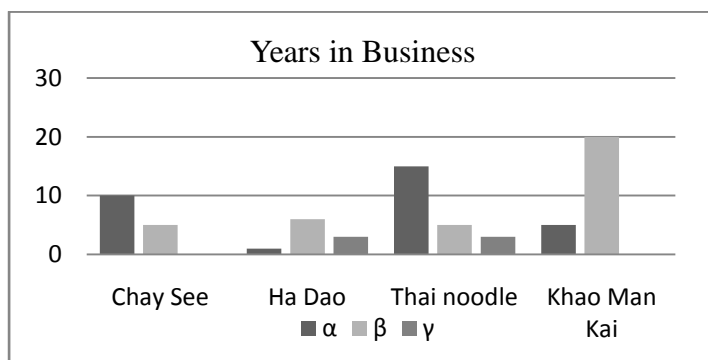


(Field interview, July 2012, Klong Toei)

2 to 5 vendors work in each food stall. All of them are working with families or relatives. Some do not make rules about how to share the profits, while some hire relatives and pay wage, especially when they do not live together. For example, owner of Thai noodle  $\alpha$  pays 500 baht per day to her two younger sisters who help the work. Chay See  $\alpha$ , Ha Dao  $\alpha$  and Khao man kai  $\beta$  is run by relatives. Ha Dao  $\beta$  is run by a woman and her daughter. All the vendors working in the food stalls were women except in Chay See  $\beta$ , Thai noodle  $\beta$  and  $\gamma$  which are run by married couple. The research supported the findings of the literature review that the majority of street vendors are women.

### 3.5.2 Years in Business

Figure 4



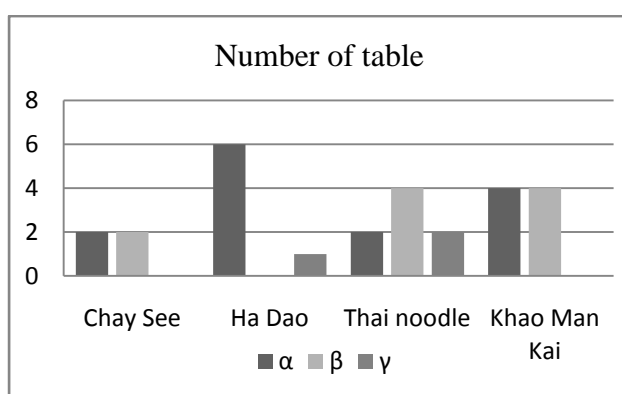
(Field interview, July 2012, Klong Toei)

The number of years in business is one of the key elements to find out whether vendor is satisfied with the work or not because it is difficult to continue working for more than few years without satisfaction. In fact, the vendor of Khao man kai  $\beta$  who has been working for 20 years mentioned “I am satisfied with the work. I couldn’t keep on working if I was not satisfied.” The research found out that independent street vendors tended to have been in business longer than franchise street vendors. However, it can not necessarily be said that independent street vendors are more satisfied with the work than franchise street vendors because both Chay See and Ha

Dao were established only 30 years ago, while independent street vendors established their operations after the construction of roads started during the reign of King Rama 4 (1851-1868)(Narumol Nirathron, 2006). Their longevity can be one of the elements to suggest that independent street vendors are more satisfied with the work than independent street vendors.

### 3.5.3 Size of the food stall

Figure 5



(Field interview, July 2012, Klong Toei)

Even though the research tried to select food stalls of similar sizes, differences are apparent. All of the food stalls except Ha Dao β have tables. The number of tables is one of the components of sales since there are customers who want to eat in, especially when the food is noodles or rice, which is the case for this research.

Furthermore, not only the number but the location of tables is important. Tables with umbrellas located outside attract less sales compared to tables located inside because it rains almost every day in the rainy season in Thailand. Since tables of Chay See α, Chay See β, Thai noodles γ are all located outside, this may be factor which reduces sales in these food stalls. On the other hand, tables of Ha Dao α, Thai noodles α, Thai noodles β and Khao man kai β were located inside, so it should be advantage for them.

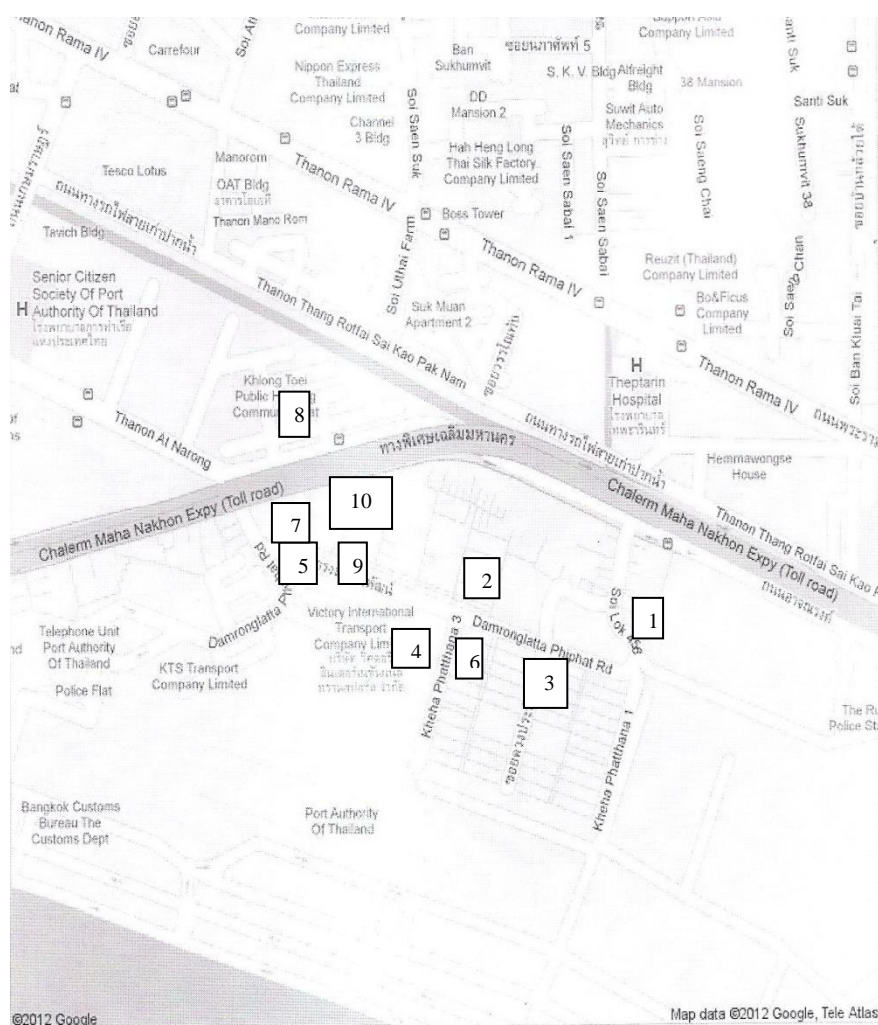
### 3.5.4 Location

Below is a map of Klong Toei and the locations of the vendors the research interviewed. The number of vendors is as follows:

Table 1 The number of vendors on the map

1	Chay See $\alpha$	6	Thai noodle $\alpha$
2	Chay See $\beta$	7	Thai noodle $\beta$
3	Ha Dao $\alpha$	8	Thai noodle $\gamma$
4	Ha Dao $\beta$	9	Khao man kai $\alpha$
5	Ha Dao $\gamma$	10	Khao man kai $\beta$

Figure 6 Map of interviewee

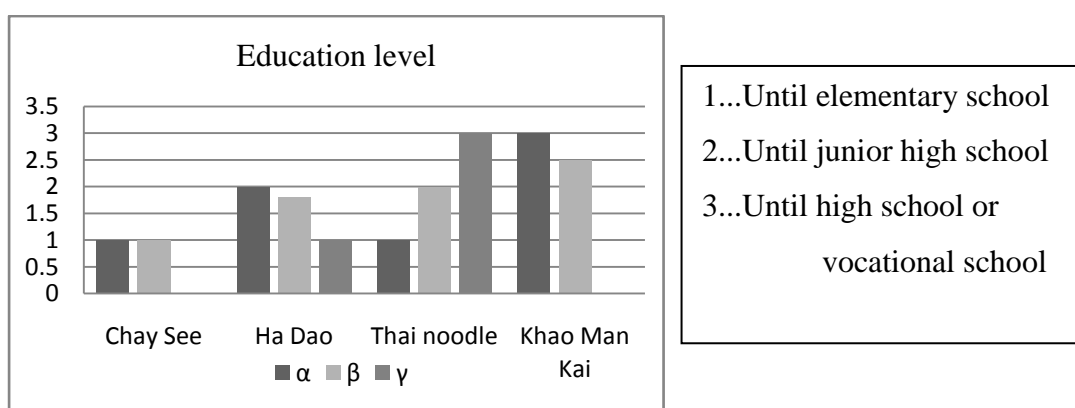


(Google Map) (Field interview, July 2012, Klong Toei)

All the food stalls are facing big streets although the street is busier if it is closer to Thanon Al Narong which is a major road. Only Thai noodles  $\gamma$  (No.8) is located on the other side of the express way. Less people go there since the street leads to a dead end and only people living in the area go through. Therefore, Thai noodle  $\gamma$  is worst in aspect of location.

### 3.2.5 Education level

Figure 7



(Field interview, July 2012, Klong Toei)

All the vendors have finished until elementary school. Some vendors have only completed elementary school, while some finished high school or vocational school. Vendors who are in middle of 1 to 2 or 2 to 3 had dropped out of the school. Ha Dao  $\beta$  vendor dropped out from high school when she was in grade three, Thai noodles  $\gamma$  vendor graduated from vocational school and Khao man kai  $\beta$  vendor dropped out of high school. The research shows that independent street food vendors are more educated than franchise street vendor although the research could not identify the reasons.

## Chapter IV

### RESEARCH FINDINGS

This chapter identifies the research findings which answer the research questions.

#### 4.1 Reasons that independent street vendors work as independent street vendors not as franchise street vendors

Figure 8

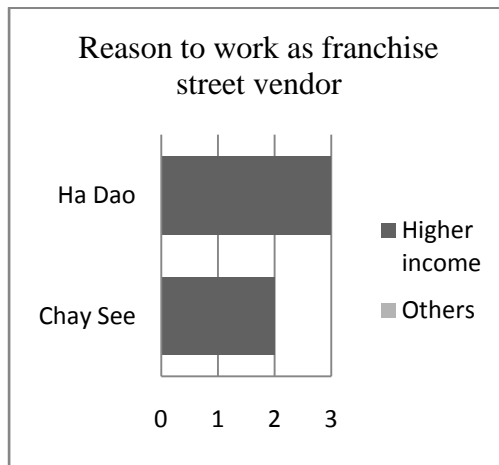
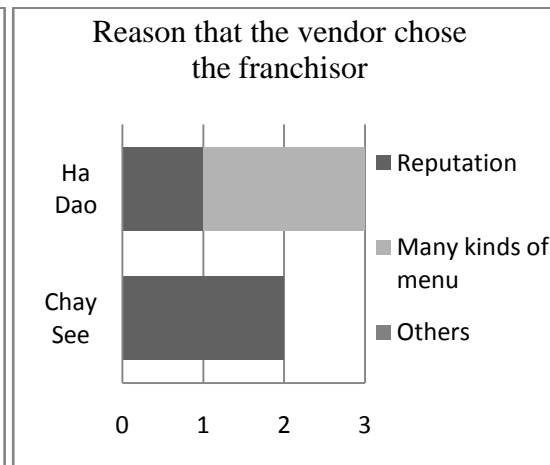


Figure 9



(Field interview, July 2012, Klong Toei) (Field interview, July 2012, Klong Toei)

The figure on the left shows the reason why the franchise street vendor decided to work as franchise street vendor, while the one on the right shows the reason why the franchise street vendor chose the franchisor. All the franchise street vendors whom the research interviewed decided to work as a franchise street vendor because they believed that franchise street vendor can earn higher income than an independent street vendor. Among the various franchise enterprises, the reason that Ha Dao franchise street vendor choose Ha Dao as a franchisor is mainly because there are so many kinds of menu that franchise street vendor can choose to sell. The reason



that Chay See franchise street vendor selected Chay See as a franchisor is because of its good reputation which they had heard about through relatives.

Figure 10



(Field interview, July 2012, Klong Toei)

On the other hand, the reason that independent street vendors decided to work as independent street vendor not franchise street vendor is shown above. Some have a positive reason in that they want to do business by themselves and to have sense of independence to feel confident to have ownership and to have control over the food stall. However, some decided to be independent street vendors because he/she thought the initial fee to join a franchise was too expensive. There was also an independent street vendor who had never had any idea of being franchise street vendor. The feeling of sense of independence which comes from working as independent street vendors is so important that no other possibility was considered.

Finally, a number of questions emerge from these initial findings. Is it true that franchise street vendors can earn more? Is the initial fee to join a franchise really more prohibitive than the cost of becoming an independent street vendor? In next section, the economic security condition of both independent street vendors and franchise street vendors will be identified.

## 4.2 Economic security

This section will compare independent street vendor and franchise street vendor in terms of economic security. Working hours and income are selected as elements of economic security.

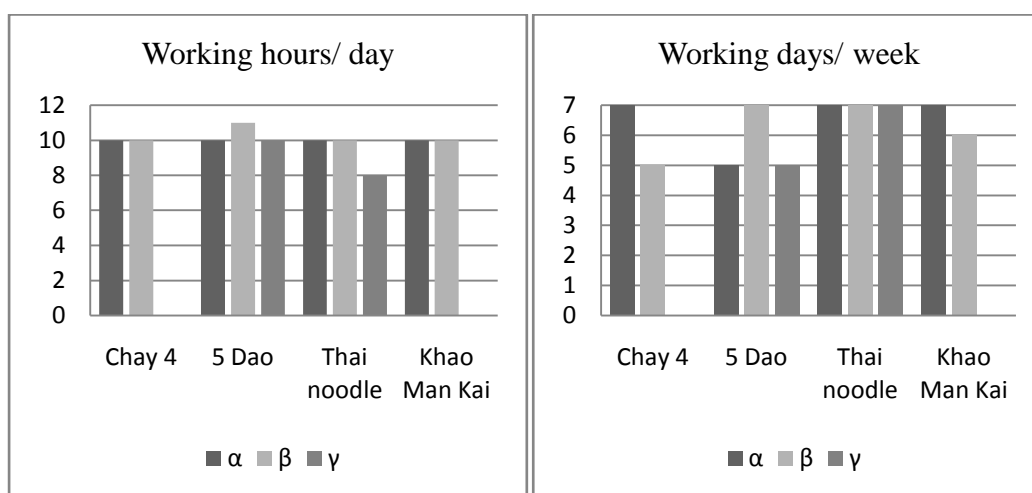
### 4.2.1

### Working

### hours

Figure 11

Figure 12



(Field interview, July 2012, Klong Toei) (Field interview, July 2012, Klong Toei)

All vendors except Thai noodle  $\gamma$  vendor work more than 10 hours per day. It is longer than general working hours which are normally 8 hours per day. The period of time they work differs from one another. Some work from early morning till afternoon while some work from afternoon to midnight. The researcher found out all of the vendors work more than five days a week. More than 60 per cent of vendors are working every day. Independent street vendors work more than franchise street vendors since half of the franchise street vendors only work 5 days a week while all independent street vendors except Khao man kai  $\gamma$  work seven days a week.

The advantage of working as a street vendor is flexibility. In fact, Thai noodle  $\gamma$  mentioned “I work every day for 10 hours. But I sometimes take holiday when I am tired.” However, it is clear that both franchise street vendors and independent street

vendors work extremely hard, especially independent street vendors. The reason why independent street vendors seem to work harder is unknown.

#### 4.2.2 Initial investment

Figure13

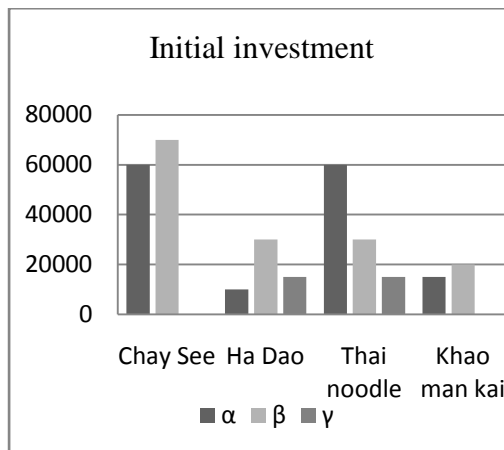
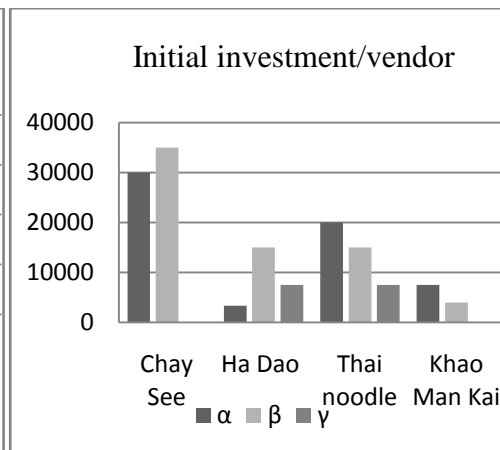


Figure14



(Field interview, July 2012, Klong Toei) (Field interview, July 2012, Klong Toei)

There is a huge difference in initial investment. Figure 13 shows the initial investment of each food stall while the right figure shows how much each vendor spent for initial investment. According to the interview with the Chay See staff, the entry fee is 57,420 baht. Both Chay See vendors spent more than 60,000 baht for the initial fee. According to the Ha Dao staff, the entry fee is 15,000baht while the researcher found out that Ha Dao β vendor spent 30,000 baht as an initial fee. This is because she had other expenses, for instance, land or equipment in addition to what Ha Dao provides. The research revealed that initial fee is not always the same even among the franchise street vendors who belong to the same franchisor.

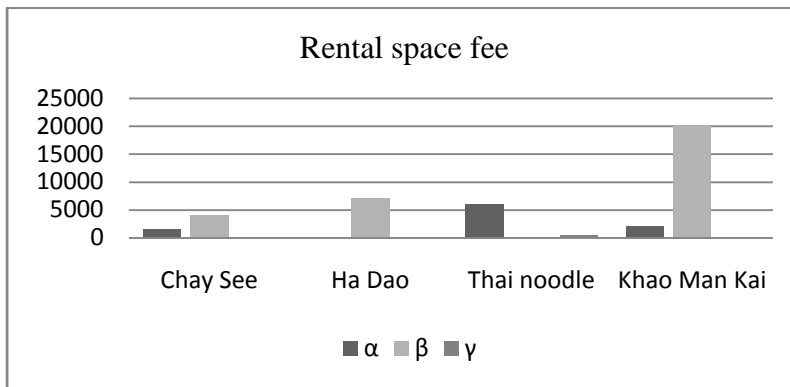
Figure 14 shows the initial investment divided by number of vendors working in the food stalls. Although the initial fee is not always divided by all the vendors working in the food stall, it can be a rough indicator since the size of the food stall is different among the interviewees. However, there is a not much difference even when it is divided by number of vendors.

Both the hypothesis of the research and the reason why independent street vendors decided to be independent street vendors, not franchise street vendors, is that initial fee to be a franchise street vendor is higher than to be an independent street vendor. It is true that entry fee of Chay See is quite expensive. However, the researcher found out the entry fee of franchise street vendor is not always as expensive as independent street vendor. In fact, all the independent street vendors interviewed spent more than 15,000 baht which is the initial fee for Ha Dao. Furthermore, some independent street vendors spent more than franchise street vendors. It is because the initial fee also depends on the price of land and facility. Besides, the average of initial investment of franchise street vendor opening food stalls on the street in Thailand is 25,727 baht although some franchisor may not include all fee they need to initial investment for instance sometimes initial fee is only for rights. On the other hand, the average of initial investment of independent street vendor the researcher interviewed was 28,000 baht. Therefore, it can be said that initial investment of franchise street vendor is not expensive than independent street vendor in terms of average either. Hence, it cannot necessarily be said that franchise street vendors pay more in initial fees than independent street vendors.

Apart from financial terms, the other conditions to be a franchise street vendor are to prepare land facing streets, to have Thai nationality and to be below a certain age. Since getting land ready before running a business also applies to independent street vendors, this condition is not a condition only for franchise street vendors. Thus, it can be said that independent street vendors do have the ability to become to franchise street vendor in this way.

#### **4.2.3 Rental space fee**

Figure15



(Field interview, July 2012, Klong Toei)

There are three different ways to pay the rental space fee. The first is that the vendor does not have to pay since the food stall is located on his/her land. The vendors of Thai noodle  $\beta$ , Ha Dao  $\alpha$ , Ha Dao  $\gamma$  did not pay anything since they are doing business in front of their house. The price of house is unknown, however, it should be expensive since it is facing quite a big street.

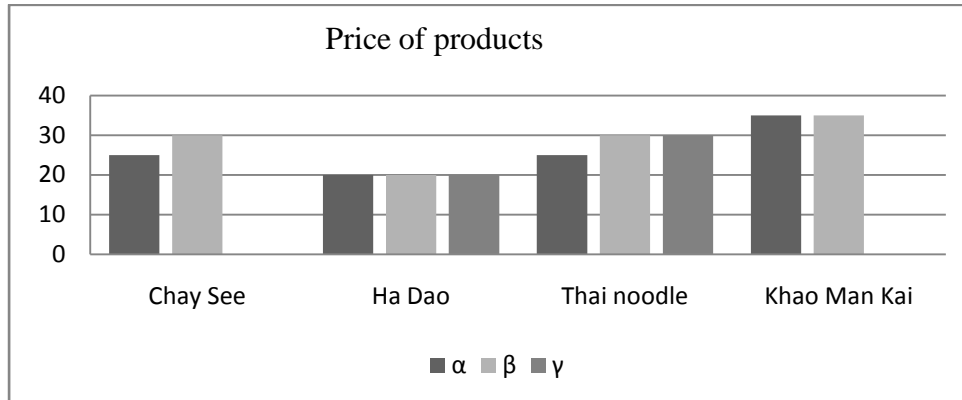
Second is the case of doing business in front of the house in which they rent to live. Since it is in front of the rental house, vendors do not have to pay a land fee for a food stall in addition. Ha Dao  $\beta$  vendor is running a food stall in front of the house which she is renting for 7,000baht per month.

The third case is renting land only for a food stall such as Chay See  $\alpha$ ,  $\beta$ , Thai noodle  $\alpha$ ,  $\gamma$ , Khao man kai  $\alpha$  and  $\beta$ . The vendor of Thai noodle  $\gamma$  is spending only 400 baht per month for land fee which is cheaper than others since it is located in front of the public housing where they live. Khao man kai  $\beta$  vendor pays 20,000 baht per month which is much more expensive than others. It is because she rents not only a space for a food stall but also an apartment with 10 rooms which is located behind her food stall. She subleases rooms for 2000 baht per month each. She also subleases the space next to her food stall for 3500 baht per month to other street vendor who sells Pad Thai. It is profitable when she is able to subleases all the rooms and space. But she pays a few thousand baht almost every month since it is so difficult to fill the

rooms. In conclusion, the rental space fee has no effect on whether vendor is a franchise vendor or not since the franchisor does not help with the rental space fee issue at all.

#### 4.2.4 Price of products

Figure16



(Field interview, July 2012, Klong Toei)

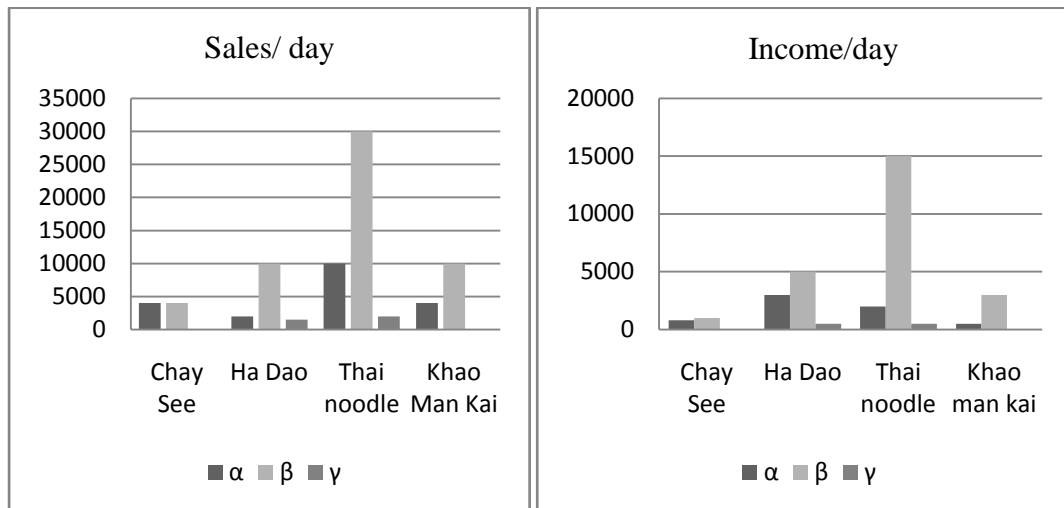
As the figure shows, there was little difference in price of products. Ha Dao vendors were selling various kinds of foods in various price however all Ha Dao franchise vendors sold it in same price with other Ha Dao franchise vendors. The cheapest food of Ha Dao was 20 baht and the most expensive one was 60 baht.

The researcher also tried to find out how many meals do they sell per day. However, they didn't recognize it since some eat in while some take out.

#### 4.2.5 Income per day

Figure17

Figure18



(Field interview, July 2012, Klong Toei) (Field interview, July 2012, Klong Toei)

The figure on the left shows the sales per day and the right shows the income per day. The income of franchise street vendor is the amount after he/she paid the royalties. But the researcher found the sale and the income is not stable. Both largely depend on holidays and weather. It will be less if it is a holiday or if it rains. Chay See  $\alpha$  mentioned “Income will be maximum around 800 baht but 400 baht in minimum.” Khao man kai  $\beta$  mentioned “If it is a good day, we can sell up to 10,000 baht while if it is bad day, we can sell only 7,000 baht. There is a huge difference in income day by day. Therefore, I can’t exactly say how much I earn per day.” Therefore, there is a lot of variation in sales and income.

Thai noodle  $\beta$  vendor sells and earns the most by far. She graduated from junior high school, works with her husband, has food stalls in front of their own house with table located inside and did not think of being a franchise vendor; she sells 30,000 baht and earns around 15,000 baht every day. However, the research could not identify the reason why she can sell that much. The second best seller is the vendor of Ha Dao  $\beta$  which does not have any tables, Thai noodle  $\alpha$  vendor which works with two younger sisters and a vendor of Khao man kai  $\beta$  who works with five relatives

and has been working for more than 20 years. They sell 10,000 baht and earn around 3000 to 5000 baht every day.

In detail, Thai noodle  $\alpha$  vendor earns more since she has another food stall located next to Thai noodle  $\alpha$  which are run by same members at the same time. The least sellers are Ha Dao  $\gamma$  which has one table without the roof, and Thai noodle  $\gamma$  whose table is located outside. They sell around 2000 baht and earn 500 baht.

Comparing the table of sales and incomes, the order of income is almost as same as the order of sale. However, it is obvious that Ha Dao  $\alpha$  earns a lot in comparison with the sales. On the other hand, Thai noodle  $\alpha$  earns less comparing to the amount of sales she did. One of the reasons of it must be the land fee. Ha Dao  $\alpha$  vendor does not spend any money for land since it is located in front of her house while Thai noodle  $\alpha$  vendor needs to pay 6,000 baht per month.

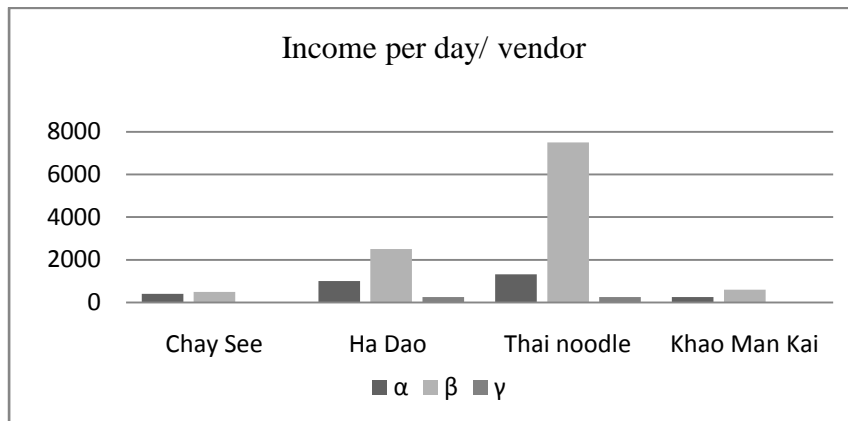
When comparing franchise street vendors and independent street vendors, on average, independent street vendors earns 4,200 baht each while franchise street vendors earns 2,060 baht each. However, this is only when the sum includes Thai noodle  $\beta$ , whose income is overwhelmingly higher than others. Since it is extreme, the research will consider the figure without Thai noodle  $\beta$ . Excluding it, the average of income of independent street vendors would decline to 1,500 baht which is less than income of franchise street vendors. Therefore, the research found that franchise street vendors earn more than independent street vendors.

However, the independent street vendors the research interviewed have bigger food stalls than general independent street vendors because the researcher selected the independent street vendor who has as same size of food stall as franchise street vendors to create a similar comparison. In fact, half (48 per cent) of the general fixed independent street vendors who do not have either tables nor seats earn more than



1,100 baht while the researcher found only 60 percent of independent street vendors earn more than 1,100 baht (Narumol Nirathron, 2006). Hence, franchise street vendors earn more than both the independent street vendors that the research focused on and general independent street vendors.

Figure 19



(Field interview, July 2012, Klong Toei)

When there are more than two vendors working in the food stall, the profit will be divided. The table shows how much income each vendor can get. The order of it is as same as income of each food stall. The income of vendor of Khao man kai  $\beta$  declined compared to the amount of total income since there are five vendors working, which is more than others.

The income of Ha Dao  $\alpha$ ,  $\beta$ , Thai noodle  $\beta$  is high but the income of others is small. In fact, considering that the minimum wage of Thailand is 300 baht per day, the amount of money that some of the vendors earn is very little. Ha Dao  $\gamma$ , Thai noodle  $\gamma$  and Khao man kai  $\alpha$  earn only 250 baht per day which is below the minimum wage if we consider that income is divided by vendors and they don't have any other family members working (Bangkok Pundit, 2012). As the researcher explained in the literature review, the range of income of vendors is so broad that some earn more than

minimum wage while some earn below it. Therefore, it cannot be necessarily said that independent street vendors are poor or not.

#### 4.2.6 Comparison of income with initial investment

Figure 20

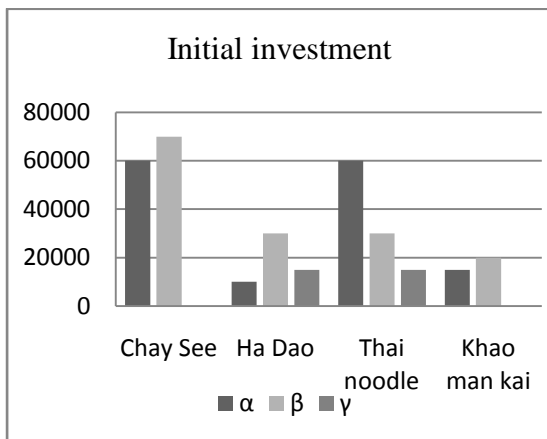
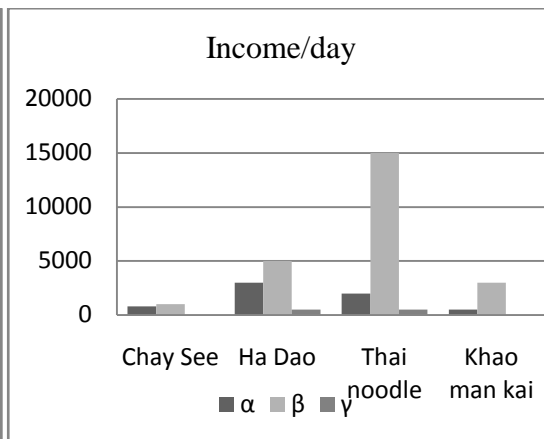


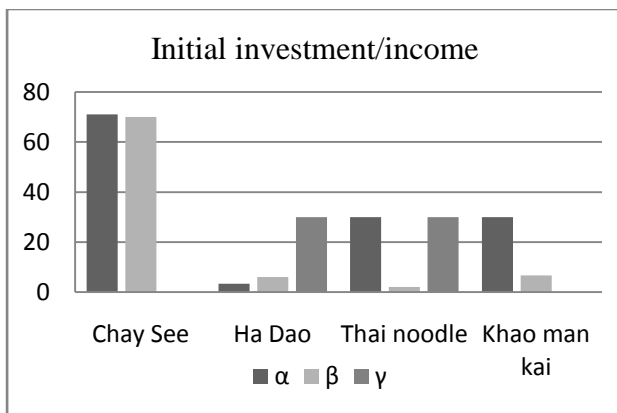
Figure 21



(Field interview, July 2012, Klong Toei)

(Field interview, July 2012, Klong Toei)

Figure 22



(Field interview, July 2012, Klong Toei)

Figure 20 shows the initial investment, figure 21 shows the income per day, and the figure 22 shows the amount of initial investment divided by income. It shows the smaller the amount is, the more effective the food stall is. It is obvious from the tables that there is a poor correlation between initial investment and income. It can also be explained by the difference in amount of initial investment divided by income. It is not related with whether vendor is franchise street vendor or not. Chay See β

vendor invested 70,000 baht but is able to earn only 1,000 baht every day. On the other hand, Thai noodle  $\beta$  vendor invested only 30,000 baht but earns 14,000baht per day. The relationship between initial investment and income has nothing to do with whether vendor is a franchise street vendor or not.

**4.2.7 Number of family to feed**

Figure 23

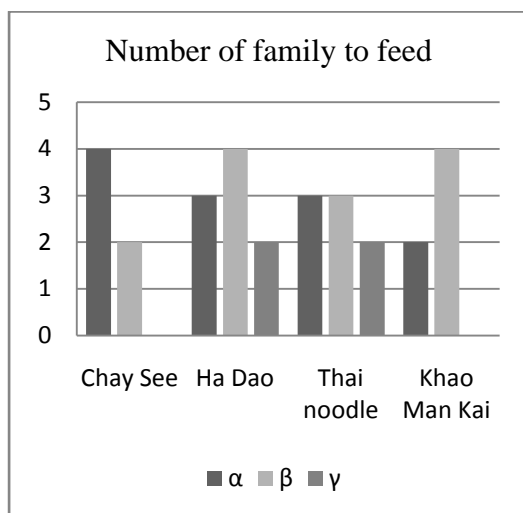
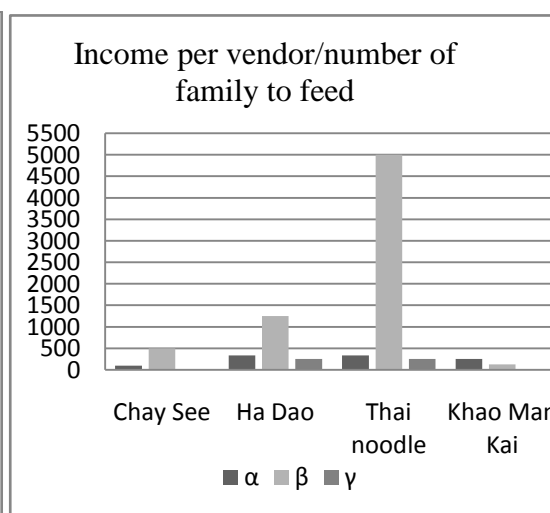


Figure 24



(Field interview, July 2012, Klong Toei) (Field interview, July 2012, Klong Toei)

Figure 22 shows the number of family the vendors have to feed and the figure 23 shows the amount of money that each family member can have. It divides the income by number of vendors working in each food stall and then by number of family. In the case of the food stall run by family, it is divided only once. It is a rough indication since some of the food stalls do not divide the income but pay a salary to the workers.

- Chay See  $\alpha$  vendor has a family of four: herself as an owner, her husband and two children. She believes even though she earns only 100 baht each for her family, she earns enough to live since she is not only the one working. Her husband is a day worker and one of her child is working as a car dealer.

- Chay See  $\beta$  vendor is working with her husband. All of the income they get is theirs since they do not hire anyone. They earn 500 baht each which is enough to live by themselves.
- Ha Dao  $\alpha$  vendor is in her 20s. She does not have a husband or child to feed. She sometimes helps her parents who are working too since she earns 333 baht for each of them.
- Ha Dao  $\beta$  vendor has family of four: Herself as an owner, husband and two daughters. Her younger daughter, who is a high school student, often helps with the food stall when she has time. Her husband is not working but her elder daughter is working in a company. She does not have to pay the wage so she earns 1250 baht for each of her family which is quite enough to live.
- Vendor of Ha Dao  $\gamma$  is working with her daughter. She only earns 250 baht per person for her family. Since her husband is also working as a Ha Dao franchise vendor selling different kinds of menu next to her and they also own a karaoke bar in the house, she does not have any trouble making living.
- Thai noodle vendor  $\alpha$  has a husband and a child. Her husband does not work because of a health problem but she earns 333 baht each for her family which is enough for them to live. She hires her two younger sisters for 500 baht per day. They are running another food stall next to noodle food stall by themselves at the same time, so they may be earn more. She lives with one of her younger sisters who is a single parent and a child of hers. She sometimes helps support them, too.
- Vendor of Thai noodle  $\beta$  is working with her husband and has a child. She does not have to pay wages and therefore earns 5000 baht for each of them which is quite enough to live.

- Thai noodle vendor  $\gamma$  is working with her husband. They used to work as civil servants of Bangkok municipality until recently. They took early retirement and started to work as independent street vendors. They earn 250 baht for each of them. Since they do not have other family members, 250 baht is the only income they get, although they believe it is enough to live by themselves.
- Vendor of Khao man kai  $\alpha$  lives with her husband. She earns 333 baht for each of them. Since her husband is also working, it is enough for them to live.
- Khao man kai  $\beta$  vendor has a family of 4: herself as an owner, her husband who is day worker and two children. The researcher could not find out how much she pays to relatives. She only earns 125 baht for each family member if the income is divided with the relatives although as far as the researcher can observe, it is not equally divided. Since she earns more than 125 baht for each family member and her husband is also working, it is enough for her to live.

In conclusion, all vendors except Thai noodle  $\gamma$  earns above the minimum wage which is 300 baht per day. The reason is that most of the vendors have other family members engage in different occupations. Therefore, both franchise street vendors and independent street vendors do not need economic assistance but some help to promote an increase in income. There was not much difference in income divided by number of vendors and by number of family between franchise street vendor and independent street vendor.

#### **4.2.8 Comparison of vendors gaining the biggest profit and the lowest-margin**

The research compared the vendor whose income is the most and the least to find out the reason behind it. The bestselling vendor whose income is 15,000 baht is Thai noodle  $\beta$ . This vendor earns the most by far among the interviewee. It is a food stall owned by married couple and located in front of their house. Therefore, the

vendor has to pay neither wage nor land fee. Even though the land fee is free, it is in a great location. The seating area is located in-side. It is facing a big street which is the same street as Ha Dao  $\beta$  and Khao man kai  $\beta$  whose income is quite high as well. The initial investment was 30,000 baht which is mid- level among the vendors the research interviewed. It can be said that the reason of success of Thai noodle  $\beta$  has been a good deal with minimum cost.

On the other hand, Ha Dao  $\gamma$ , Thai noodle  $\gamma$  and Khao man kai  $\alpha$  earn the least which is 500 baht per day. For example, the vendor of Thai noodle  $\gamma$  is running a food stall with her husband so there is no need to pay wage. The land fee is cheap compared to the others since it is located in front of public housing where they live. One of the possible reasons is they only have one table outside without a roof. It is also facing the small street which only people living in the public housing use. Therefore, there are less customers.

#### **4.2.9 Conclusion of the comparison of economic security between independent street vendors and franchise street vendors**

This section detailed the economic situation of both independent street vendors and franchise street vendors in terms of initial investment, land fee, working hours, sales and income. As a matter of course, there is a difference in economic situation between each vendor. Some earn far more than minimum income while some earn below the minimum wage. Therefore, it is not possible to lump all street vendors together and define whether they are poor or not.

However, it is clear that economic situation of franchise street vendors is better than independent street vendors according to the average results. Franchise vendors work less and earn more. Although, the research could not identify the marketing strategy of franchisor, it should be because of brand name and advice

which franchisors give for improved selling. Franchising is an effective system that it can be used in the idea of microfranchising. It can be said that being franchise street vendors is one of the elements of economic success.

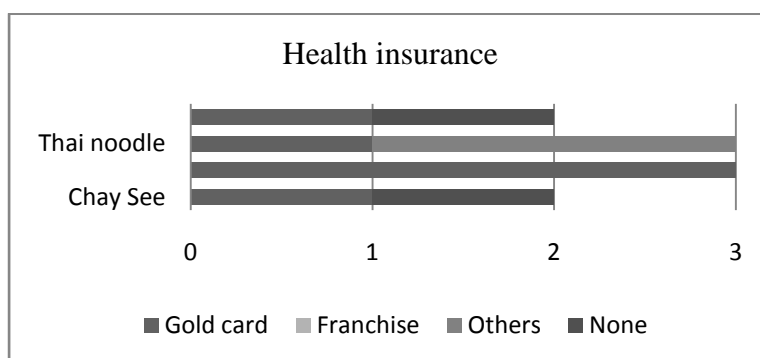
Yet, there is a poor correlation between initial investment and income. Therefore, it is obvious that land and facilities are important to succeed economically, although these elements do not ensure success. The initial investment of franchise street vendors is not more expensive than independent street vendors despite what most of the independent street vendors had believed. Therefore, independent street vendors could have worked as franchise street vendor if they would like to.

### 4.3 Social security

This section describes the situation of health insurance, life insurance and pension to compare the social security of independent street vendors and franchise street vendors.

#### 4.3.1 Health insurance

Figure 25



(Field interview, July 2012, Klong Toei)

Neither Ha Dao nor Chay See provides health insurance. Therefore, there is no difference in the situations of independent street vendors and franchise street vendors in terms of health insurance. However, it does not mean all vendors are using the gold

card scheme which is provided for Thai citizens who do not have health insurance by the government. As far as the researcher discovered, there were three ways of handling health insurance. First, 6 vendors were using the gold card scheme which provides medical treatment for 30 baht in the area of registration. However, the participant can only use the hospital which is set according to the area. Also, there is a limit on the medical care obtainable. This is the reason why only six of the interviewees, Chay See  $\alpha$ , all vendors of Ha Dao, Thai noodle  $\gamma$  and Khao man kai  $\alpha$ , are benefiting from gold card scheme.

Second, 2 vendors were not using any kind of health insurance. Chay See  $\beta$  and Khao man kai  $\beta$  pay all the medical treatment fee by themselves because they do not like the “fixed” hospital. Chay See vendor mentioned “I don’t like the fixed hospital idea since there is a lot of documents to fill in which takes a long time. When my husband and I get sick, we go to Chulalongkorn hospital in which the gold card scheme cannot be used. When I had surgery on the neck few years ago, it cost me 4,000 baht since I didn’t use any insurance.” It is obvious that paying all fees is costly. The research could not find out the reasons why they decided to pay by themselves apart from the fact that they dislike the chosen hospitals.

Third, 2 vendors purchased health insurance by themselves like the vendors of Thai noodle  $\alpha$  and  $\beta$ . Thai noodle  $\alpha$  vendor purchased hospital health insurance. It costs her 400 baht per month. Whenever she feels sick, they treat her for free. She chose this insurance because it will be worthwhile in the future. One of her sister who works and lives with her purchased it, too, while another sister who works together but lives separately did not. Thai noodle  $\beta$  vendor purchased the health insurance which also works as a life insurance together with her husband. It costs them 50,000 baht per person per year. It covers 90 per cent of medical expenses. But they

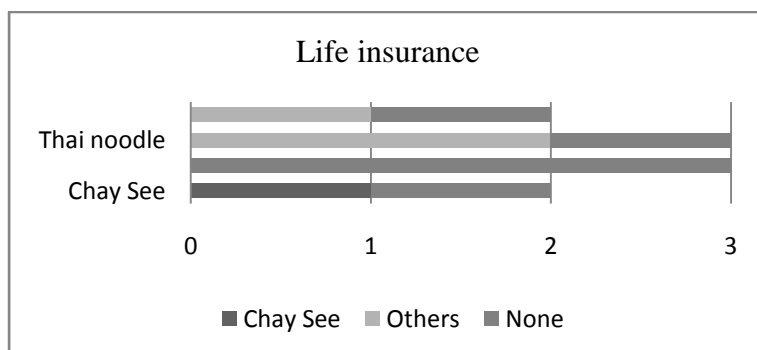


sometimes use the gold card scheme especially when they go to the dentist. The amount of money they paid into the plan will be returned as a life insurance or pension in future. Although the health insurance fee of both vendors will be returned in future, a certain amount of cash is needed to purchase these upfront. Therefore, not all the vendors can purchase it. In fact, both of the vendors earn more than other vendors since Thai noodle  $\alpha$  vendor is running two food stalls and Thai noodle  $\beta$  earns the most, according to the research.

There were three independent street vendors and only 1 franchise vendor who did not use the gold card scheme but paid the fees by themselves. Hence, it can be said that independent street vendors are more conscious about present and future risks. Not using the gold card scheme and paying for the medical treatment fees by themselves is costly. Even though they earn more than the minimum wage, they do not earn much more than the minimum wage. Therefore, the gold card scheme should be improved so that the vendors can use money for different things. Consumer resistance to the limitation of services and the “fixed” hospitals is a problem that needs to be solved to provide better services for the informal economy workers.

#### 4.3.2 Life insurance

Figure 26



(Field interview, July 2012, Klong Toei)

Ha Dao does not provide life insurance while Chay See does. The Thai government does not provide any life insurance to the poor who cannot purchase it by themselves. The research found there are three types of reactions of vendors to life insurance. First, only one Chay See vendor purchased the life insurance provided by Chay See which cost 1,400 baht per year. It will pay 100,000 baht when the vendor is dead. Only one vendor can purchase it per each food stall even though there are more than two vendors working in the food stall. Therefore, the vendor of Chay See  $\beta$  purchased this insurance while her husband did not. Chay See  $\alpha$  did not purchase it since she thinks it is not worth anything because it only covers death.

Second, vendors of Thai noodle  $\alpha$ ,  $\beta$  and Khao man kai  $\beta$  purchased life insurance by themselves. The life insurance of Thai noodle  $\alpha$  vendor is a bank product. It covers the fees for accident and death if she pays 1,400 baht every year. One of her sisters with whom she is working and living also purchased it while another sister working together but living by herself did not. The life insurance of Thai noodle  $\beta$  vendor is part of a health insurance plan as explained in section 4.3.1. The fee for health insurance will be returned as life insurance in the future. Khao man kai  $\beta$  vendor purchased life insurance from a bank. It will be returned if he/she continues paying for more than 20 years.

Third, six vendors do not have any life insurance. The researcher got the impression that they do not much care about life insurance. Although franchise street vendors have more options than independent street vendor in terms of life insurance since Chay See provides it, only one franchise vendor purchased it. On the other hand, three out of five independent street food vendors have life insurance. Hence, it can be said that independent street vendors somehow pay more attention to their future life and risk.

### **4.3.3 Pension**

The research found vendors have little knowledge of pension regardless of what type of vendor he/she is. They all said that they do not have any pension plans, without hesitation. It may be because they do not have age-limited retirement and can work as long as they can. However, it is still important since only a few vendors can work until he/she dies. Many of them can become sick or too old to work. It seems to take long time to encourage the idea of a pension to the informal economy in Thailand.

### **4.3.4 Conclusion of the social security of independent street vendor and franchise vendor**

The research found that there is little advantage to being a franchise street vendor in terms of social security, even if the idea of franchise system uses microfranchising, normally is a tool to empower the poor. Only Chay See provides a life insurance program which is not that rewarding. The research showed that independent street vendors are more cautious about social security than franchise street vendors.

In the aspect of health insurance, more independent street vendors purchased insurance by themselves since they do not like the hospital or they believe it is not enough medical care. The research found that the gold card scheme is not enough because there were vendors who purchase insurance or pay all the medical treatment fees by themselves, even some of them does not earn much. In terms of life insurance, even though Chay See provides life insurance to the vendor, independent street vendors were more conscious of it. More independent street vendors purchase it than franchise street vendors. Regarding pension, neither independent street vendors

nor franchise street vendors paid attention to it. Therefore, social security benefits have little to do with economic security. Even though the franchise street vendors earn more, independent street vendors were more aware of their health and future risk.

#### 4.4 Satisfaction of the work

Figure 27



(Field interview, July 2012, Klong Toei)

All vendors answered that they are satisfied with their work. There is no difference between franchise street vendors and independent street vendors. The reasons for their satisfaction is because they can work near their home, can have work to do and can earn money. Many of them believe that if there did not work as a vendor, they would not have anything to do. They believe it is better to have things to do and earn something even it is little amount of money. There was no difference in the reason of satisfaction between franchise street vendors and independent street vendors.

## **Chapter V**

### **CONCLUSION**

In this section, discussion, analytical observation, limitations, recommendations and suggestions for further study are also identified.

#### **5.1 Discussion**

There is large amount of informal economy worker who is not legally recognized in the world. The problem of it is lack of social protection since poor are exposed to more risk than others and furthermore they are vulnerable to these risks. Therefore, the research conducted a case study to compare independent street vendors and franchise street vendors in aspects of economic security and franchise security. It tried to find out whether the conditions of franchise street vendors are better than independent street vendors in terms of economic and social security since franchise street vendors are legally recognized and given the support by franchisor while independent street vendors are not.

The research selected income and working hours as elements to examine economic security and health insurance, life insurance and pension as elements to examine social security. The research conducted interview with 5 franchise street vendors belongs to 2 franchisor and 5 independent street vendors who supply same kind of foods with franchise street vendors in same scale of food stall.

The research hypothesized that franchise street vendors are better in both economic security and social security thanks to the support by franchisor while the initial investment is so expensive that it is difficult to access.

In conclusion, the research discovered that there is access for independent street vendors to be franchise street vendors although sometimes the initial investment

fee of franchisor does not include all fee. The economic security of franchise street vendor is better than independent street vendor in terms of both working hours and income as the research previously assumed. The research could not identify the concrete success factor however according to the existing research, it is said that the franchisor can then focus resource investments on the key functions that support competitive advantage, such as establishing the franchise brand and ensuring the delivery of consistent, high-quality service through the franchise (Geoffrey M Kistruck, 2011, 77).

Both of the vendors were had the same conditions regarding social security. But it is also clear that independent street vendors purchased health insurance and life insurance, and they were more aware of and better informed about their future risks even though they earn less than franchise street vendor.

One incentive for independent street vendors to work as an independent street vendor is a boost in sense of independence which leads to identity development. Therefore, it is difficult to say that whether being a franchise street vendor is better or not. However, the economic and social situation of both franchise street vendor and independent street vendors can be improved by learning advantage from one another.

Table2 Summary of interview

	Working hours/ week	Income / day	Health insurance	Life insurance	Pension
Chay See $\alpha$	70	800	Gold	None	None
Chay See $\beta$	50	1000	None	Chay See	None
Ha Dao $\alpha$	50	3000	Gold	None	None

Ha Dao $\beta$	77	5000	Gold	None	None
Ha Dao $\gamma$	50	500	Gold	None	None
Thai noodle $\alpha$	70	2000	Private	Private	None
Thai noodle $\beta$	70	15000	Private	Private	None
Thai noodle $\gamma$	56	500	Gold	None	None
Khao man kai $\alpha$	70	500	Gold	None	None
Khao man kai $\beta$	60	3000	None	Private	None

(Field interview, July 2012, Klong Toei)

## 5.2 Analytical observation

### 5.2.1 Franchise enterprise

The entry barrier to be franchise street vendor was not high as the researcher hypothesized although sometimes not all fee is included in initial fee. Economic security was better than independent street vendors too. However, the social security condition was same with independent street vendors. Because franchise street vendors are working for franchisor, some protection should be provided. The good life of franchisees will bring the success of the franchisor. Even worse, the franchise street vendors were less aware of social protection even though they earn more than independent street vendors. Therefore both social protection and education to increase the awareness to social protection are needed to franchise street vendors.

### 5.2.2 Thai government

Economic and social security of independent street vendors were not as bad as the researcher assumed. Indeed, they paid more attention to social protection than franchise street vendors so that they can do with future risks. However, there are two

analytical observation points the research would like mention. First is in aspect of the economic security was worse than independent street vendors even they pay as same amount of initial fee as franchise street vendors. The research couldn't find out the concrete success factors however according to the existing research, it must be because he/she is associated with brand name, proven products and methods. Since independent street vendors the research interviewed lived in more than minimum wage, the financial support is unnecessary, but rather need information about methods to compete with franchise street vendors.

Secondly, health insurance should be improved more. Many of independent street vendors didn't use gold card even they don't earn that much because they don't like the documents to fill in or quality of service. Even the vendor who only earns 500 baht per day did not use the gold card to see a doctor. Therefore, the gold card scheme should be improved in terms of document work and quality of service.

### **5.3 Limitation**

There are a number of limitations in this study. First, as the research depended on translators for qualitative interviews, some of the essence of a response may be lost in translation. The translation was from Thai to English.

Second, due to the limitations of time, research was conducted on a small scale. The findings might be different if the interviewees or the amount of interviewees had changed although this research used random samples. Limitations of time expressed itself in the number of interviews, while the quality of the interviews might depend on the trust and relationship built by the interviewer. Respondents might not be directly forthcoming due to the short relationship during the research



even though the researcher tried to build a relationship with them with the help of Duang Prateep Foundation.

Third, because this work investigates only two types of franchise enterprises which have a large number of branches, generalizing findings to franchises with different startup costs or growth possibilities is premature. Also, in order to properly compare business models, future research must monitor business results over time.

Fourthly, the density of franchise street vendors or independent street vendors is unconsidered in the research even though it is an important factor of success since it relates to competition. The research couldn't find out whether the area is high or low density for each type of vendors.

Last, since the research selected independent street vendors who are running businesses on the same scale as franchise street vendors, it was not possible to interview general independent street vendors who only have food carts without tables and seats and vendors who do not have land.

## **5.4 Recommendation**

### **5.4.1 To franchise enterprise**

There are two recommendations to franchise enterprise. First, Franchise street vendors have better economic security than independent street vendors, despite the initial investment, they were worse in terms of social security. There is little benefit in the conditions of social security to franchise street vendors and they did not pay attention to it. Social assistance provided by the Thai government is not enough. Since the healthier life of franchise street vendor can also benefit the franchisor, franchise enterprises need to provide social protection and, at the same time, provide education about the importance of it.

Second, some independent street vendors believed that the initial investment of franchise street vendor is more expensive than that of franchise vendors although it cannot be necessarily said so. Therefore, the advertisement about initial investment should be effective.

#### **5.4.2 To Thai government**

There are two recommendations to Thai government. First, the research found that independent street vendors are not poor. But it is obvious that franchise street vendors are superior in selling and marketing. The research could not find out the concrete success factor of it however according to the existing research, it is marketing or financial advice from franchisors. Since independent street vendors are well-educated, what they need is advice on how to earn more. The Thai government should help by providing information, for instance, by strengthening the network in the community to share the information they have to empower the independent street vendors.

Second, the research found independent street vendors are more aware of their health and future risk. However, the social protection provided by the government is not enough. Even the vendor whose income is 500 baht decided not to use the government-determined hospital. Therefore, the gold scheme should be improved by reducing the paperwork, increasing the amounts of available hospitals, and increasing the amount of cost ceilings for high cost and chronic disease treatments. Furthermore, independent street vendors were more educated than franchise street vendors and they were cautious about health insurance and life insurance, but not cautious about pension. An increase of awareness is needed.

#### **5.5 Suggestions for further research**

In this section, suggestions for further research will be identified, taking into account the limitations of the study. First, since the interviews were conducted in a short time, there is a possibility that the vendors the researcher interviewed may be only the successful ones who are in their stable period. The researcher could not find out how difficult it is to get things off the ground. Therefore, interviews over a longer period of time are important.

Second, further research should be conducted on a bigger scale because the research conducted was only on two franchise businesses and ten street vendors.

Third, even the research concluded that franchise street vendors has advantage comparing to independent street vendors in aspect of economic security, the research couldn't find the reason of it. Therefore, the business strategy of the franchisor needs to be studied.

Lastly, the research compared franchise street vendor and independent street vendors who are running businesses as the same scale as franchise street vendors. However, there are large amount of general independent street vendor who only have food carts and does not have land to do business. Therefore, further research focused on general independent street vendors who only have food carts is needed, especially to find out whether there is an opportunity for them to become franchise street vendors.

Finally, this work was conducted using only a few elements of economic security and social security. Therefore, research conducted over deeper and broader economic and social aspects is needed.

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## **BIOGRAPHY**

Megumi Hata was born in Yokohama, Japan. She graduated with a BA in political science from faculty of law Chuo University, in Tokyo. During her bachelor, she did 4 month internship at Environmental NGO in India called “Paryabran mitra”. From 2010, she worked as network engineer monitoring sea cables cooperating with oversea carriers. Since she wanted to change her carrier to international development field, in 2012, she became Rotary Ambassadorial Scholar and started her study in Master of Arts in International Development Studies, Chulalongkorn University.