


# Chapter 5

## Informality and Tourist Development on the Ecuadorian Coast

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### ABSTRACT

*The informal economy is a complex phenomenon occurring in various forms and degrees worldwide. In Ecuador, the informal sector represents 46.5% of the economy. This research aimed to analyze the informal trade in the tourism sector of Playas Cantón, Ecuador and its relationship with the regional economic development. A quantitative approach through a structured survey with actors involved in tourism (tourists, residents, informal traders, tourism entrepreneurs, and local authorities) was used during March-April 2023, reaching a sample of 150 participants. Results showed that the informal sector is an essential part of the tourism economy in Playas. Multiple causes/factors drive and sustain it: lack of formal job opportunities, flexibility in working hours, lack of regulation and sanitary control, and insecurity in the area. Implementing policies and measures to address informality is necessary, including formalizing and training informal workers to strengthen regulation and control of informal activities and ensure sustainable development.*

### INTRODUCTION

The Ecuadorian Tourist Coastal Zone 1 of the Playas Cantón is known for its natural attractiveness. Tourism is a vital economic sector for the region, generating jobs and business opportunities for local

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residents. It involves representatives from both the public and private sectors and community residents, stakeholders, and visitors (Sarabia, 2021). Influenced by a high level of organization that communities have through a social business management model, with the aim of generating positive impacts and distributing them among all. However, informality in the tourism sector in coastal areas is a common problem, with operation of unregistered tourism businesses and services resulting in unfair competition for formal businesses such as: Unregistered vendors of goods and services such as food, beverages, handicrafts, tent rentals, chair rentals, and cocktail servers and a decrease in the quality of tourist services, resulting in consequences for the tourists' experience during the trip such as: inadequate customer service, possible scams when purchasing goods and services or lack of hygiene standards, especially when acquiring food services.

Therefore, there is a need to describe the situation of informal trade in the tourist sector of the Tourist Coastal Zone 1 of the Playas Cantón as well as its relationship with the tourist and economic development of the region. The general purpose of this chapter is to analyze and to describe the situation of informal trade in the sector and its impact on tourist and economic development. In order to reach the purpose, we established specific objectives, such as describing the causes and factors driving informality, characterizing the economic and social effects of informal activity, and finally providing recommendations to address the problem and improve tourist and economic development in the region.

The expected results of this research are the identification of the main causes and factors that contribute to informality in the tourism sector of Tourist Coastal Zone 1 of the Playas Cantón, the description of the economic and social effects of informality in the tourism sector, and the development of specific recommendations to address this problem and improve tourism and economic development in the region. In addition, this research would contribute to the advancement of scientific literature in the field of sustainable transformation and informal trade in tourism, providing new empirical and theoretical knowledge on the factors that influence the development of tourist destinations and the strategies for management and regulation of informal trade in tourism.

## **BACKGROUND**

### **Study Area**

The Playas Cantón is located in the Guayas province in Ecuador. It is a popular tourist destination with a population of 59,628 inhabitants that doubles during high season, such as in January-April and during the carnival holiday. With an area of 280 km<sup>2</sup>, commerce and fishing are essential for the local economy, and there are various famous beaches, such as El Arenal, Bellavista, and Playa Rosada. There are also various tourist attractions, such as the Sanctuary of the Virgin of the Rock, the house of Don Víctor Estrada, sailing raft rides, horseback riding on the beach, and bird watching near the Ocean Club. Local cuisine offers a wide variety of typical dishes, including lobster, shrimp, fish, octopus ceviches, seafood rice, and roasted oysters (Guayas Prefecture, 2023).

The main economic income received by the Playas Cantón in the study area comes from tourism activities, seen as the most important economic activity. In the informal commercial area there is also an interesting activity, especially in the sale of beverages, handicrafts and other items that are offered by a variety of vendors that roam the beaches and main streets of the city, especially during the beach season (November-April). Development and territorial planning plan (PDYOT 2019-2023). During the

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