

UCLA

**Volume V. 1989-90 - California Immigrants in World Perspective:
The Conference Papers, April 1990**

Title

Asian and Latino Immigrants in the Los Angeles Garment Industry: An Exploration of the Relationship Between Capitalism and Racial Oppression

Permalink

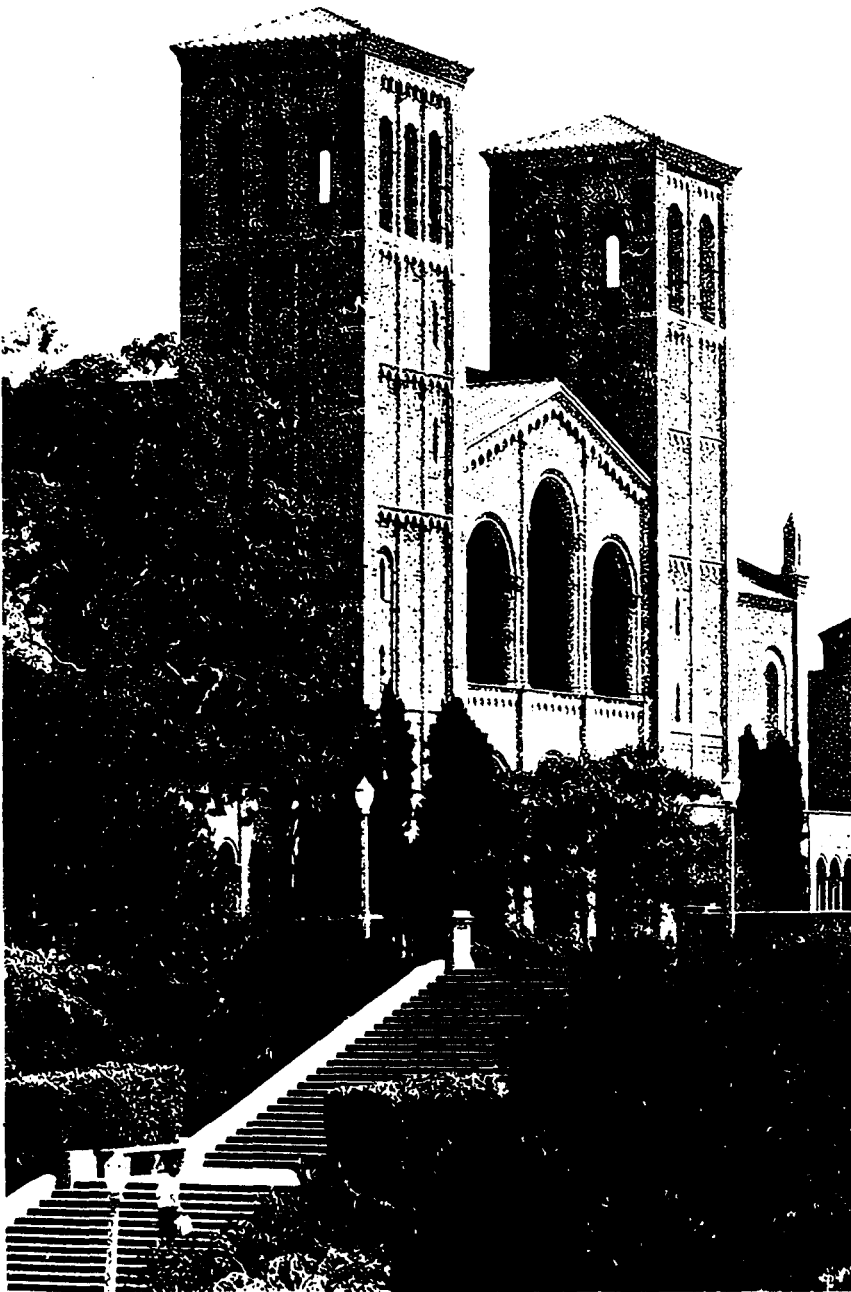
<https://escholarship.org/uc/item/9rp5p8d3>

Author

Bonacich, Edna

Publication Date

1990-04-26



ISSR

**Working Papers
in the
Social Sciences**

1989-90, Vol. 5, Number 13

*Asian and Latino Immigrants in
the Los Angeles Garment Industry:
An Exploration of the Relationship
Between Capitalism and Racial
Oppression*

by

Edna Bonacich

Asian and Latino Immigrants in the Los Angeles Garment Industry:
An Explorationship of the Relationshin between
Capitalism and Racial Oppression

Capitalism is a system based on competition in the market between private owners of productive property, whose purpose is the maximization of their profits. Because private owners, a small minority of the population, control the economy, major social decisions are made without the democratic participation of those affected by them. Indeed, the social welfare is typically ignored in favor of the "bottom line" of private companies.

There is a widespread belief in the United States, fostered by the Reagan and Bush administrations, that capitalism is "colorblind." Race is supposedly irrelevant to the market, which is only concerned with accomplishment. In the absence of discriminatory legislation, abolished by the U.S. government in the 1960s, the operations of the competitive market ought gradually to lead to racial equalization.

In fact, conditions for people of color have deteriorated substantially since Reagan took office in 1980, despite increased reliance on the market. True, a few individuals have managed to move into the middle class. But for millions of people of color, poverty and despair have intensified.

This reality is clearly evident in Los Angeles (Ong, 1989). The city is becoming increasingly polarized between affluent, generally white, owners, professionals and managers, who have

enough disposable income to satisfy **every** consumerist desire, and bitterly poor, mainly African American and Latino, workers and unemployed. Housing is one area where the division is starkly demonstrated. Some people are leveling the tops of mountains to build themselves mansions vying with the Hearst Castle for size and luxury. Meanwhile, an estimated 70,000 Angelenos are homeless, and many thousands of working poor have to pay over 50 percent of their meager earnings to rent crammed and squalid slum apartments.

The purpose of this paper is to examine how capitalism produces and reproduces racial oppression, by examining the dynamics of one industry in one location: the garment industry in Los Angeles. The L.A. garment industry uses immigrants from Latin America and Asia as workers and contractors. I plan to show how both groups are oppressed by the system, although differentially, by laying out the entire structure of relations in the industry, and the role of immigrants in it. In the course of describing the industry, I hope to demonstrate its excessive corruption at all levels, a corruption that is endemic to capitalism. A system that is characterized by such social decay is totally unequipped to solve such fundamental social problems as massive impoverishment and racial oppression.

Method of Study

An eclectic methodology was used to conduct the research for this paper. The available literature, including unpublished works, was searched out and read, along with official statistics

and the trade journals. Several garment factories were visited, and state registration data on garment factory ownership was obtained and analyzed.'

The most time-consuming and informative method used was interviewing people knowledgeable about the industry. Altogether about 40 people were interviewed, mainly during the summer of 1989. They represented all levels of the industry, from bankers to workers, with retailers, importers, manufacturers, contractors, state agents, union officials, newspaper reporters, students of the industry, and officers of various organizations in between.

The process of finding more knowledgeable people and pursuing leads is almost endless and could have gone on for much longer. In addition, the local and international situation in the garment industry, let alone the immigrant role in it, is constantly changing, making research a potentially open-ended process. At a certain point I came to feel that I had a good "sense" of what was going on, bolstered by the repetition of information from a variety of sources, and decided to call a halt. Extensive field notes were kept of each interview and other researchers are welcome to review them to verify my conclusions.

The Los Angeles Garment Industry

Los Angeles is emerging as a major center of garment design, production, and distribution in the United States, second only to New York City. Although the entire U.S. apparel industry has been severely impacted by imports and has suffered major job loss, the

Los Angeles industry has grown. Between 1972 and 1988, employment in the U.S. industry dropped 23 percent, but grew by 56 percent in Los Angeles (U.S. Department of Commerce, 1988:45-3, 1989:41-1: California Employment Development Department, 1988:70). In 1989 employment in the L.A. industry was estimated at around 120,000 (Olney, 1989:28).

The Los Angeles industry focuses on women's wear, with over 70 percent of local output in this branch. A much smaller but visible sector produces men's sportswear (Los Angeles Area Chamber of Commerce, 1989:4). In general, the L.A. industry specializes in the "California look," namely, casual wear, sportswear, and swimsuits. It occupies a middle segment in the industry, between high fashion and mass produced goods. This segment is highly responsive to fashion change and is not easily exportable because of the need for quick response to changes in demand.

Los Angeles garment firms tend to be smaller than those in the rest of the nation. Their small size is related to the system of contracting out, a process that is advancing more rapidly in California than in the nation, though it is increasing everywhere. This process of decentralization from in-house manufacturing to contracting out leads to a hierarchical and decentralized structure that relies on immigrant contractors and workers at the bottom.'

Structure of Relationships

In Figure 1 we present the major institutional actors in

the Los Angeles garment industry, and signify the relationship between them. In this section we try to lay out the whole system of relationships in order to provide a context for understanding the role of immigrants in the industry.

Insert Figure 1 about here

Manufacturers. Manufacturers are the kingpins of the industry. They are the individuals and business organizations that initiate the production process. The designing of fashion and purchase of textiles occurs under their auspices. Manufacturers vary considerably in size. There are several large, multi-million dollar, publicly held firms. However, since virtually all you need is a good design idea to enter manufacturing, many manufacturers are small, and there is a high turnover of about 15 percent per year in the business.

Manufacturers are engaged in bitter competition, sometimes leading to illegal practices. One such practice is "knocking off," i.e., copying another company's design. In 1986, the International Trade Commission reported a loss of over \$250 million to U.S. textile and apparel firms due to copyright, patent and trademark infringements. Stealing designs is so common that one lawyer described the industry as an "overall culture... of knockoffs," where most firms do not even know it is illegal (Ferraro, 1988).

Retailers. Garments, of course, need to be sold, and the way they are retailed is a major factor in the shaping of the

industry. Retailers of apparel are divided into department stores, mass merchandisers, specialty stores, discount stores, off-price stores, and miscellaneous.

The department stores, each of which consists of chains of retailing outlets, are probably the most powerful force in the industry. They are in bitter competition with one another, as reflected in the huge advertisements that cover many pages of the Los Angeles Times every day, announcing some sale or other. This intense competition promotes illegality, for example, Nordstrom's was charged with false advertising for putting items on sale that had never been offered at a higher price (Chen, 1989).

Competition also promotes a rapid changing of "seasons," as the old season's garments are swept from the shelves and replaced by the next. Some participants in the L.A. industry claim that the number of seasons has recently risen to five or six per year. Lot sizes are being reduced, leading to shorter runs of specialized goods. This shift may be the driving force behind the proliferation of small contracting shops. The small shops permit "flexible specialization" (Piore and Sabel, 1984; Taplin, 1989), since they avoid heavy investment in fixed machinery. In any case, the increase in seasons contributes to the frantic pace of the industry.

Mergers. Retail department stores have been undergoing a major merger movement over the last few years (1986-1989), a phenomenon that sends reverberations throughout the industry. Ownership of some of these chains is now international, so that

events occurring in London or Canada have ripples that extend all over the world. The case dominating the news at the time of writing concerned a Canadian company, Campeau Corporation.

These leveraged buyouts have important ramifications for the industry. Suddenly Bullocks in Los Angeles gets a different buyer, changing the manufacturers who produce for that major store. In addition, the excessive debt of the retailers affects their credit-worthiness, hence the financing manufacturers can obtain, as we shall see shortly. Finally, the purchasers of these chains treat them as commodities to be bought and sold for quick profits. They may have little interest in merchandizing itself, a fact that is resented by manufacturers who want to see their wares promoted by expert salespeople.

Relations Between Manufacturers and Retailers (arrow 1). Manufacturers and retailers in the apparel industry have a mutually dependent relationship. Retailers need manufacturers to stock their stores, and manufacturers need retailers to market their products to consumers. Nevertheless there is considerable tension between them, with each party trying to press the other to the wall in maximizing their own benefit in the deal. Hard bargaining verges towards illegality, as each party tries to get the most they can from the other. Generally, the large retailers are in a better bargaining position than the manufacturers and can squeeze them harder than the other way around.

Retailers use various devices to squeeze manufacturers, such as price concessions, markdown **money, and chargebacks. Price**

concessions occur when the retailer agrees to buy a bulk order but demands that the price be cut or they will go to another manufacturer. As one manufacturer put it: "There is always pressure to reduce your price." Markdown money is demanded when a line is not selling well. The retailer asks the manufacturer for markdown money to cover his losses. If the manufacturer refuses, he faces an implicit threat that his product will not be reordered.

Chargebacks occur when the retailer receives an order and can claim it does not meet his specifications precisely, enabling him to charge the manufacturer for the error. In practice, chargebacks can occur for the most trivial reasons, such as whether the order was sent by UPS, whether the list of enclosed items is placed inside or outside of the box, whether 'hangers were included, etc. A retailer will take off 10 percent for such offenses.

Retailers sometimes simply refuse to pay, claiming they never received the merchandise, and demanding that the manufacturer prove it was sent. Or they will assert it was sent to the wrong branch. This can happen with the largest, most reputable retailers.

In order to ensure that retailers will buy from them, manufacturers are known to do favors for department store buyers. These can be small, like taking them out to a good restaurant or buying them Dodger tickets. We heard (but did not try to verify) that cocaine is commonly provided to ease this transaction.

In sum, the large retailers are able to bully the manufacturers into making concessions of various kinds because they have the power to do so. The growth of leveraged buyouts among department stores increases this power through consolidation. Meanwhile, manufacturers suffer not only from competition among themselves, but also from the pressure to cut costs imposed by the retailers. As a result, some manufacturers in Los-Angeles are turning towards opening their own specialized retail outlets, to avoid having to deal with the major retailers.

Factors (arrows 2a and 2b). Garment manufacturing is partially financed through a process known as factoring. Forty to 50 percent of U.S. apparel manufacturers use factors. Factoring involves the purchasing of trade debts from manufacturers. The retailer becomes a debtor of the factor, instead of the manufacturer, who is relieved of the risk of non-payment by the retailer. The factor conducts a credit check of the retailer to minimize his own risk, and limits the amount of credit he is willing to extend to the manufacturers accordingly. The typical commission on sales, as this transaction is called, is 1-1.75 percent (Forman and Gilbert, 1976; Moskowitz, 1977). As Applegate (1990) points out, this can mean that a manufacturer with sales of \$2 million can be spending \$25,000 in commissions.

Factors can also advance up to 80 percent of the value of the product to the manufacturer at the time of the retailer's order. The charge for advances is usually 2-3 percent over the prime interest rate.

Nationally factors bought about \$38 billion in sales in textiles and apparel in 1988. California accounted for about \$7-8 billion (20 percent). Advances were worth another \$1 billion.

Leveraged buyouts in retailing have affected manufacturers by limiting the willingness of factors to declare certain retailers as credit-worthy. This leaves the manufacturer without a factor, having to assume all the risk of selling to a retailer that might go under.

According to a lawyer who represents dozens of apparel manufacturers in Los Angeles: "A factoring agreement is a Mephistophelean deal. It is very easy to get into and very difficult to get out of. A factor becomes deeply involved in the day-to-day affairs of the company, and can come to exercise tremendous control over the business (Applegate, 1990). This is especially true for small manufacturers that rely on advances.

Manufacturers, retailers, and factors (and banks in general) are the big players in the garment industry. It is here that big money is made (and lost). All three operate in a viciously competitive world, and feel that they must cut costs to the bone. As a result, there is plenty of hard dealing and illegality. As a banker told us, "this industry is not for the faint-hearted." And the lawyer cited in Applegate (1990) stated: "There is a reason why all the great movie moguls came out of the apparel industry. You have to have guts of steel to make a go of this business." Nevertheless, they wield the power and make the big money, and, in the process, control the fate of the immigrants who work for

them.

Importers. The garment industry is undergoing massive international restructuring (Froebel, et al., 1980). It has increasingly moved from developed to developing countries in recent years, with the latter manufacturing clothing primarily for export to developed countries.

Although estimates of import penetration of the U.S. market vary depending on measurement approaches, one carefully developed measure by the Fiber, Fabric and Apparel Coalition for Trade (FFACT), a joint industry-union group, estimates that import penetration climbed drastically from 8.9 percent in 1967, through 31.2 percent in 1977, to 57.5 percent by 1987 (Rothstein, 1989:111-117). Thus, over half of the apparel now bought by U.S. consumers is produced abroad.

The tremendous growth in imports has had a major impact on U.S. employment in the industry. Apparel employees reached a peak of 1.4 million in 1973. As of 1988 employment had declined 21 percent (Rothstein, 1989:115).

Much of the flight of the garment industry abroad can be "blamed" on U.S. capitalists. They have pursued cheaper labor in the Third World through establishing a variety of linkages there. Manufacturers subcontract part of the production process, notably the labor-intensive sewing, abroad (arrow 3). Third World countries have set up free trade zones (FTZs) specifically to abet assembly in their countries, by providing the transnational corporations (TNCs) with special tariff arrangements and a

politically disciplined work force (Light and Bonacich, 1988:68-101). Meanwhile, U.S. retailers, produce their own garments in Asia (arrow 4), selling them under their own brand names (Waldinger, 1986:75-6).

Both manufacturers and retailers in the U.S. have given technical assistance to Third World producers, and implemented quality controls. Thus they have contributed to the competitive advantage of countries with low labor costs, and helped to undermine the local industry.

The State and Imports (arrow 5). The U.S. government has decided that apparel manufacturing is a "sunset" industry that will inevitably move abroad. They believe the U.S. should focus on high-tech industries and let the garment industry go. In fact, the government does not simply allow this to happen passively: it encourages it.

The most glaring example of this policy is Tariff Item 807 and various elaborations of it like the Caribbean Basin Initiative (Jacobs, 1988). Item 807 allows goods assembled abroad to be brought back into the United States with a tariff levied only on the value-added, which is low because of low labor costs (Light and Bonacich, 1988:52-55) It benefits companies that get their sewing done in maquiladoras in Mexico and the Caribbean.

These tariff policies are not based solely **on** economic factors. They are part of U.S. foreign policy (Rothstein, 1989). The U.S. goal is to get countries in the Western hemisphere to be loyal to the United States by providing them with development

aid, jobs, and granting them privileged access to the U.S. market, thereby countering incipient revolutionary movements.

These policies also serve as a mechanism for dealing with Third World debt by helping U.S. banks to get repaid. The U.S. government and international development agencies actively promote wage-lowering austerity programs, and a manufacturing-for-export development strategy in Latin America and the Caribbean. Thus the U.S. not only encourages the production aspect of the flight of the industry, but also fosters the low wages that give Third World countries a competitive advantage. One can question whether such policies lead to genuine development, or only increase working class immiseration, on the one hand, and enhance the financial situation of U.S. banks, on the other. ' .

While the U.S. government encourages the exodus of the industry, it also makes efforts to control the intense dislocations that occur when a major industry moves abroad. A series of international agreements have been negotiated, notably the Multi-Fiber Arrangement (MFA) to control the flow of imports (Aggarwal, 1985; Nehmer and Love, 1985; Parsons, 1988). Note that the purpose of MFA is not to stop imports, or to stabilize them, but only to increase them in an orderly fashion. In practice, the MFA has been ridiculously ineffective. Imports keep flooding the country, and the percentage limits are widely surpassed.

Regardless of where the blame lies, the profits to be made from imports are simply too attractive to pass up. One respondent

described the import trade as like the drug trade: there is no stopping it because it is so lucrative. The gains are no doubt found at every level. Certainly American retailers benefit by failing to pass on the lower costs to consumers, and instead enjoying an extraordinary profit on them (Nehmer and Love, 1985:234).

Contractors. Although some manufacturers have all of their production done "in house," it is becoming common practice to contract out the sewing, and often the cutting of garments. In Los Angeles the process of contracting out is so advanced that industry members no longer have a special word to describe manufacturers who contract out.

Getting into contracting does not require much capital. All one needs is a space and a few sewing machines, both of which can be rented. Waldinger (1986:137-8) estimates that a contractor in New York can set up a 25-30 person factory for as little as \$25,000. With generous financing terms available, the down payment can be as little as \$6-7,000. Ease of entry leads to a proliferation of contractors who are in intense competition with one another, consequently the turnover rate is as high as one-third per year.

The state of California requires that all garment manufacturers and contractors register with the state. We obtained a list of the registrants as of April 18, 1989 from the California Department of Industrial Relations, Division of Labor Standards Enforcement. The printout includes names of

registrants, names of their businesses, addresses, and zipcodes. The state had 4,589 firms listed, of which three proved to be duplicates, for a total of 4,586. Of these, over 1,000 listed only a corporate name and did not provide the name of an owner. Although the list incorporates manufacturers as well as contractors, and no distinction is drawn between them in the data, it is reasonable to assume that most of the list, and especially those where individual owners' names are given, are contractors.

In 73 percent of the cases (3356) we were able to code the ethnicity of the owners. 3 Latinos made up the biggest group, with 28.5 percent. Vietnamese, Chinese and Koreans accounted for 16.6, 16.0 and 15.4 percent respectively. Other Asians (with unidentifiable names or- from other countries) made up 10.4 percent, for an Asian total of 58.4 percent, or the majority of owners. "Others", i.e., Anglos, Jews, Armenians, Iranians, etc. made up only 13.1 percent.

Firms are not distributed evenly across the state. Eighty-four percent were located south of the Ventura County line. (Ventura is the county immediately north of Los Angeles.) San Francisco housed 10 percent of all licensed businesses, whereas Los Angeles had 76 percent.

Table 1 shows the ethnic distribution of firm owners for the northern and southern halves of the state, and for the two centers, San Francisco and Los Angeles. As can be seen, Asians, especially Chinese, predominate in Northern California,

especially in San Francisco. In contrast, ownership in the south (and in Los Angeles, where 90 percent of Southern California garment firms are located) is more ethnically diverse. Latinos own over one-third of the shops, and among Asians, the Koreans emerge as the dominant group, followed closely by the Vietnamese.

Insert Table 1 about here

Contractors are not evenly spaced over the Southland. In Table 2 we divide the region into the garment district, the remainder of the city of Los Angeles, the remainder of Los Angeles County, Orange County, and the rest of Southern California. The garment district contains over one-third of the shops, while over 50 percent are spread around Los Angeles city and County. Orange County is the location of only six percent of registered shops, but apparently is growing fast as a center, and may house more unregistered firms than Los Angeles. Finally, the rest of Southern California has less than 5 percent of firms.

Insert Table 2 about here

In Table 2 we see that Koreans are the predominant contractors in the garment district, followed by Latinos. In contrast, both the Chinese and Vietnamese (as well as Latinos) are more dispersed over the city and County. The Vietnamese are the most spread out, and have so far established a predominance

in Orange County.

Garment contracting is a viciously competitive business, and there is considerable ethnic rivalry as each new group tries to get a foothold in the industry by undercutting established ones. Jewish contractors complain about the Asians. Koreans and Chinese complain about the Vietnamese, and so on. The degree to which competition among contractors is ethnically structured is probably exaggerated. No doubt undercutting is found among contractors of all ethnicities. The problem is not ethnic but inherent in the organization of the industry. The ethnic diversity of owners, coupled with the tendency for ethnicity to correspond somewhat to time of entry, tends to lead participants to focus on ethnic "traits" as a source of the problem. But the fundamental issue is the intense, cutthroat competition between contractors, and the ability of manufacturers to manipulate it to their advantage.

Most contractors have a hard time surviving. One Korean woman told me she comes to work at 6:30 a.m. and leaves at 6:30 p.m. each weekday and works Saturdays until 3:00 p.m., for a 68 hour work week. As she put it: "I look at the stars when I come to work, and I look at the stars when I go home." In seven years as a contractor she had taken one vacation, and her only desire for it was to get plenty of sleep.

Relations with Manufacturers (arrow 6). The contracting system obviously has tremendous advantages for manufacturers. They do not need to maintain a stable workforce, and can pass on

to the contractors the problems of recruiting and laying off workers in response to seasonal fluctuations and style changes. The contracting system increases their flexibility. Moreover, contractors have to deal with the problems and anger of the labor force, which the manufacturer can ignore. Even though contractors and their workers are, in every meaningful sense, "employees" of the manufacturer, the contracting system creates a legal fiction that they are not, thereby alleviating the manufacturer of any responsibility for what goes on with his employees. "It's none of my business," he can say. "The contractor runs his own business, and conditions there are his concern."

In practice, manufacturers have all the power of an employer in an employer-employee relationship. They can push contractors to the wall. The contractors I spoke with complained that the prices paid to them by manufacturers had gone down in recent years. Meanwhile contractors' expenses have all increased. The state minimum wage rose to \$4.25 an hour on July 1, 1989, but manufacturers were not legally compelled to adjust their prices.

According to contractors, manufacturers sometimes pay late, and sometimes do not pay at all. They can claim the contractor made mistakes in the sewing, or that, because of a delay in the shipment, the store cancelled the order. Or they can go bankrupt and be unable to pay. As one contractor put it: "You can complain to the Labor Department about a bankruptcy, but you are stuck with the clothes. The Labor Department won't pay you."

Most manufacturers are probably happy **to see** the

proliferation of hard-working Asian contractors, increasing the overall level of competition among contractors, and strengthening the manufacturer's hand. I spoke with Cherokee, an employer of Korean contractors, and they are very pleased with the rising availability of Asian contractors in the region.

Workers. The estimated 120,000 workers in the Los Angeles garment industry are predominantly Latino immigrants, most of whom are from Mexico. A smaller proportion of Latino workers come from Central America, and about 15 percent are Asians. In a survey conducted in 1979, Maram (1980) found that 81 percent of Latino workers in the industry were undocumented immigrants. L.A.'s garment industry thus relies heavily on "illegal" workers.

Wages and working conditions are notoriously bad. The situation has been described as a reemergence of sweatshops (e.g., U.S. House of Representatives, Committee on Education and Labor, 1982; U.S. GAO, 1988).⁴ In 1981 the Los Angeles Herald Examiner published a 16-part newspaper story entitled "Sweatshop: Undercover in the garment industry" (Wolin, 1981). A reporter disguised herself as a Latino immigrant and worked as a seamstress for a while. She found appalling conditions, including exceedingly low wages, and health and safety standards violations. The latter included vermin, filthy eating areas and bathrooms, and exposed wires. A fire in a 76 year old building in the garment district on December 5, 1989, when 40 people were injured, affirmed the dangerous conditions (Malnic and Tobar, 1989; Dunn and Sahagun, 1989).

The low wages of garment workers gets justified in terms of the fact that they are "unskilled labor." In reality, operating a sewing machine requires high levels of skill based on experience. Indeed, the levels of skill required are much higher than those of many operatives and crafts workers who are paid two and three times the wages of apparel workers (Rothstein, 1989:30). Garment workers get labeled as unskilled because they typically lack formal education, not because the work itself is unskilled.

Most workers are paid on a piecework basis. This serves as an incentive to work quickly, and experienced workers can build up to a reasonably decent level of pay. But piecework also means that inexperienced workers have a hard time coming up to minimum wage. Record-keeping to ensure payment of minimum wage is sketchy or downright false in many firms. Needless to say, benefits or paid vacation time are non-existent. In addition, workers are subject to shifting seasons, which create a kind of boom or bust. At times they must work day and night to meet rush order, while at other times they face layoffs. Illegal homework is rampant (Fernandez-Kelly and Garcia, 1989), with women and children working at home under unsafe conditions.

A community center in the garment district, Las Familias del Pueblo, reflects the harsh conditions faced by Latino garment workers. The center provides informal childcare, among other services, as hardworking mothers, who cannot afford to pay for childcare, leave off their children while they go to work sewing.

Poor working conditions in the industry were again brought

to the public's attention in a 3-part story in the Los Anseles Times (Efron, 1989). Although it focuses on Orange County, the series reports on widespread labor abuses. Some workers stated they made only \$50 a week for working 11 hours a day, 5 or 6 days a week. One case involved a Latina homemaker and her three children, ranging in age from 7 to 14, who were averaging about \$1.45 an hour for their labor. In sum, the garment industry in Southern California is the locus of serious labor exploitation and consequent suffering.

Relations Between Workers and Contractors (arrow 7). The contractor is the immediate exploiter of the workers. The contractor is the person whom the workers confront, the person who seems to benefit directly from their hardship, the person who imposes that hardship. The workers do not see the hierarchy of exploitative relations that sit on top of the contractor, or at least do not experience it directly. They only experience the contractor as the immediate oppressor. And, relative to the life the workers must lead, the contractor seems like an affluent beneficiary of their hard labor.

There is an inherent antagonism in the contractor-worker relationship. Some contractors try to ameliorate the conflict, by treating the workers in a kindly manner. But no matter how kindly the contractor, the inherent antagonism remains. Contractors are in the business of cutting labor costs to the bone. They must do this in order to stay in business. They do so to serve their employers, the manufacturers. That is the nature of their

occupation. A non-exploiting contractor is a contradiction who will not survive in the system.

In Los Angeles, the antagonism between contractor and workers takes on an ethnic dimension. Although, as we have seen, there are Latino contractors and Asian workers, as well as non-Asians and non-Latinos in both position, the most common configuration is Asian contractors employing Latino workers. At Las Familias del Pueblo, in the heart of the garment district, Latino workers see Korean contractors as the predominant employer. Thus their antagonism towards contractors has the character of antagonism towards Koreans.

I would like to stress that Asian contractors are not the main exploiters of the workers. They are only the immediate ones. Thus they become the direct bearers of the (justified) wrath of the workers. This arrangement is, of course, very convenient for the manufacturers and retailers who do not have to soil their hands with labor exploitation. They can feel themselves to be decent, charitable citizens, who have nothing to do with the evils of sweatshops. They can externalize the ugly aspect of the industry and disconnect themselves from it, even though their profits and salaries depend on what is going on in the Asian run shops, and even though they set the terms within which these shops must function.

The State and Labor Standards (arrows 8a,b,c). The state, both federal and local, regulates the relations between workers and their employers, attempting to curb the worst abuses. The

state sets labor standards below which no employee should be permitted to sink. These include setting a minimum wage, extra pay for overtime work, the prohibition of child labor and homework, the payment of Workers' Compensation and Unemployment insurance, etc. All of these laws are violated in the Los Angeles garment industry.

When Governor Deukmejian took office in 1983 he weakened labor standards enforcement efforts. He abolished a Concentrated Enforcement Program, aimed at enforcing labor standards in industries with known violations, by folding it into the Bureau of Field Enforcement (BOFE), an agency with much broader responsibilities and fewer staff members who can devote themselves specifically to garment inspections. The BOFE can only issue civil citations. Penalties are light, making law violation worth the risk of getting caught. Moreover, evasion of the law is all too easy. When a contractor gets into trouble, he can close the shop and open again under a new name. Contractors are known to maintain multiple books, including a special set for state inspectors.

Las Familias del Pueblo helps workers file charges against contractors, and they have thick files of cases indicating that such actions are frequent indeed. They include such issues as failure to pay minimum wage and overtime, late payment, or non-payment altogether, which is quite common. The files also contain evidence of firms changing their names slightly so as to avoid being tracked down. A worker at Las Familias summed up the

situation as follows: "The law is so weak it's a joke."

Contractors feel trapped by the laws the state imposes upon them (arrow 8b). One of them railed on: "We have to pay time and a half for overtime, but we don't get paid overtime by the manufacturer. The minimum wage goes up, the cost of Workers' Compensation goes up, and the price we get paid goes down." In general, contractors seem to feel less caught between the demands of workers and manufacturers, as between the demands of the state and manufacturers. The state, by upholding labor standards, puts them against a wall, which manufacturers have no need to take into account in setting their prices.

Absent in the state's system of regulation is control of employer-employee relations. Contractors are considered to be independent business owners, and not the employees of the manufacturers, even though that is precisely what they are. Consequently, relations between manufacturers and contractors, in terms of labor standards, lie outside of state jurisdiction. This legal status permits manufacturers to get away with pushing contractors to the wall. The blind eye turned by the state on this relationship is a key factor in the proliferation of contracting in the industry. The presence of an "independent contractor" between the manufacturer and the workers serves as a loophole for by-passing state regulation of labor standards.

State Assemblyman Tom Hayden has introduced a bill to hold manufacturers jointly liable for labor standards violations in the contracting shops they employ (Efron, 1989b, 1990). It is

impossible to predict how far it will get, but the character of the opposition is clear. An attorney who represents garment manufacturers stated it baldly: "'You can't turn everybody in society into a policeman.... It goes against the free market'" (quoted in Efron, 1989b). That is precisely our point: It is the free market which produces the severe labor exploitation witnessed in this industry, and it is the defenders of the free market who will fight bitterly to preserve their right to exploit.

The State and Immigration. Another form of state involvement concerns immigration law. In 1986 the federal government passed the Immigration Reform and Control Act (IRCA). The law holds employers accountable for hiring undocumented workers by imposing sanctions upon employers who knowingly hire them. And it grants amnesty to undocumented immigrants who have been stable residents in the United States since 1981. Many Latino immigrant workers in the garment industry were eligible for amnesty. This shift had a potential impact on contractors as employers of the impacted work-force.

In practice, IRCA appears to have had little impact on the L.A. garment industry labor force (Loucky, et al., 1989). The flow of undocumented immigrants into Los Angeles continues unabated. It is easy, and now cheap, to obtain forged papers, and employers quickly learned that the law does not hold them accountable for the authenticity of immigrant documents. If INS should raid his shop, the contractor can blame the immigrants for

providing false papers. However, such raids are rare to non-existent. Law enforcement is underfunded in this area too. So business proceeds as usual.

The reliance of the industry on oppressed immigrant workers was revealed by the reaction to IRCA. Garment contractors wanted to be permitted to import temporary foreign workers under a kind of urban bracero program (California Legislature, 1987). The industry claims it cannot survive without a special, legally disabled, work force.

Union and Relations with Workers (arrow 9). Given the Los Angeles focus on the production of women's garments, the main union is the International Ladies' Garment Workers' Union (ILGWU). The ILG is extremely weak in Southern California, having dropped from 12,000 members out of 23,000 garment workers in 1946, to about 2,000 members out of 120,000 today (Laslett and Tyler, 1989). Of those remaining members, many are left over from the era when manufacturers did their production in-house. The union has been unable to make a dent in organizing the small contracting shops.

The ILG has problems of its own which contribute to the difficulties of organizing garment workers. Both at the International level (in New York) and in California, the leadership tends to be white males. The L.A. leaders are very hard-working and dedicated. Some of the most progressive union activists have been sent by the International to L.A. to see what they can accomplish in what looks like a hopeless environment.

However, despite their sincerity, there is still a sense in which they are outsiders to the workers they are trying to organize. Union organizers are trying to get people to join "their" organization. Union dues seem to go to support a stratum of well-paid union bureaucrats, while the underpaid workers are ripped off by yet another sector of American society. Distrust of the union is thus widespread (Soldatenko, 1989).

Traditional unionism is virtually impossible in the L.A. garment industry anyway. If a shop is organized it will go out of business. The manufacturer will simply turn to another contractor and the workers will lose their jobs. The union has no leverage to sign contracts that improve conditions for the workers. And it is too easy for contractors to close shop and move if faced with a unionizing threat. In sum, you cannot organize one shop without organizing the whole County, and, since it is fairly easy for the industry to move to nearby counties or Mexico, and even to Asia and the Caribbean, you may not be able to organize the County without organizing the world. As one ex-union official, who had quit the union in despair, put it: "The union is like an army in the trenches being bombed."

The State and Unionism (arrow 10). Under the National Labor Relations Act (NLRA), the federal government is supposed to protect the rights of workers to form independent unions and engage in collective bargaining. Under the best of circumstances, the law is limited in terms of the ability of workers to develop real social power and bring about the kind of social change that

would substantially improve their lives. But even the reformist achievements of the NLRA have been decimated by the Reagan administration (U.S. House of Representatives, 1984; New York State Assembly, 1984).

For example, it is illegal to fire workers for union activity. However, filing a complaint against such a firing is completely useless in the Los Angeles garment industry. Delays in processing due to staff shortages mean that the charged company is likely to have disappeared. Thus contractors fire union activists with little fear of legal reprisal.

Similarly, holding elections under the NLRA becomes a legal charade in an industry like this. Elections can take place over a year after workers sign cards of intent. The National Labor Relations Board (NLRB) takes months to settle jurisdictional questions, and the Republican-appointed majority generally decides in favor of management. Given the high turnover of workers, by the time the election is held, many of the original union supporters are gone. The union has to expend tremendous resources just to keep the idea of unionism alive among the changing workforce.

Who Benefits?

We have now completed our review of the relationships sketched in Figure 5:1. It is clear that, at the bottom of this industry, at the level of the workers, there is considerable suffering and dehumanizing conditions. Garment workers are obviously exploited, but by whom? Who benefits from their hard

lives?

One could argue that the consumers are the ultimate beneficiaries, and that, because garment workers suffer hardship, the rest of us have access to more affordable clothing. While there may be some truth to this, it is obvious that plenty of money is being made on the production side of the industry. And it is not at all clear that the low wages paid to the workers are significantly passed on to the consumers. Moreover, consumers are manipulated by the fashion aspects of the industry, and by the advertising that supports it. Consumers are teased into spending more money on clothing than they "need," in order to keep up with changing fashion trends.

Contractors appear to be the immediate beneficiaries of the poor conditions confronted by garment workers. They are the immediate "exploiters" and appear to establish themselves as immigrant entrepreneurs in the new country at the expense of their employees. However, contractors suffer hardship too. True, their lives are not nearly as pressed as the workers. They can usually afford decent housing and can send their children to college. But their lives are far from **easy**.⁵ Still, despite the fact that contractors are themselves victimized by the system, I do not want to minimize the fact that they bear some responsibility for the exploitation and gain some, albeit relatively small, portion of the surplus taken from the workers (Bonacich, 1987).

As one moves up the hierarchy of the industry, tremendous

markups accrue at each level. For example, one contractor said she receives \$5 for a skirt that the retailer sells for \$85. The skirt contains about \$7 worth of fabric, paid for by the manufacturer. Thus the remaining \$73 is split between the manufacturer and retailer. We know the retailer "keystones" his products, i.e., more than doubles the manufacturer's price, suggesting that he pays the manufacturer around \$40. Needless to say, both manufacturer and retailer have major expenses, and must deal with competition and fluctuations in demand. The retailers may have to mark down their wares in sales, or may have to dump them altogether. The mark-ups do not reflect pure profits. Nevertheless, money is made by these firms, as indicated in their Annual Reports. The profit rate may not be exorbitant, but given the billions of dollars in sales, the absolute take is huge. And let us not forget that the banks and factors, as well as allied industries such as advertising, rake in their share.

The beneficiaries are not only the stockholders and owners of these firms, and the benefit is not only accrued in the form of profits. It also gets incorporated into salary scales. Manufacturers, retailers, and bankers pay some of their employees handsome salaries, the high levels of which can be attributed in part to the low levels paid garment workers.

For example, in a study of Macy's Noyelle (1987:19-49) not only reports that the company made \$221 million in profits in 1984, but their employees are increasingly polarized between low-paid sales, clerical and service workers, on the one hand, and

high-paid, credentialed managers and professionals on the other. Noyelle was unable to gain access to salary data, but he did learn that one store manager was paid a salary of around \$70,000 in 1981.

Thus in manufacturing, retailing, and banking/factoring, there is a stratum of very well-paid employees. Within these sectors are low-paid, increasingly exploited, workers, but that reality does not negate the growth of the well-paid jobs. There is, I am contending, a direct relationship between the below minimum wage and no benefits earnings of garment workers, and the 5 or 6 digit salaries plus handsome benefits of retailing, manufacturing and banking professionals and managers." The widening divide, observed by Ong (1989) is produced and reproduced through the processes described for this industry.

Conclusion

The garment industry reveals starkly some of the horrors of capitalism, and how it helps to construct racial and ethnic antagonisms. The rampant illegality found at all levels of the industry is a product of the system of private ownership and competition, which drives people to engage in a ruthless struggle for survival and advantage. Checks on the worst excesses, whether by the state or by opposing forces, are weak or non-existent, in part because capitalists are able to exert considerable influence over the government, and through it subvert the efforts of the opposition. The result is massive social decay: a dog-eat-dog world in which the unprotected are left to be ravaged by the

strong and powerful.

The garment industry raises questions about the goals of economic activity. What is the goal of apparel production, and what should it be? One can draw a parallel to the housing industry. Should the goal be to make a fortune in real estate investment and speculation? Or should it be to provide affordable, liveable housing for everyone? Something has gone horribly awry in our society in the way it provides housing. The same can be said for garment production. Instead of pursuing a goal of providing decent, affordable raiment for everyone, it has become a monster, based on the need to sell as much as possible in a system of planned obsolescence. Despite short-term, individual rationalities involved in the construction of this industry, the overall picture is one of social irrationality. The social welfare is not being served.

Finally, we return to the issue of racial oppression. Latino immigrants are severely oppressed in this industry. Asian contractors are their immediate oppressors, but are also partially victims of the system. One groups of immigrants is used to keep another group down, to the benefit of higher-ups in the industry. The whole edifice depends on keeping workers legally cordoned off, hence powerless.⁷ That these workers are also racially distinctive adds to the ease of their targeting. Through the normal workings of capitalism, the U.S. is increasingly becoming a racially polarized society.

As a society, we need to look at what we have wrought. We

need to examine our social system from a whollistic perspective
and consider whether this is a sane way to organize human social
life.

Footnotes

1. Thanks go to Patricia Domingues and Jane Bonacich for laboriously punching 4,589 business names, addresses and ethnicities into the computer, and to Phillip Bonacich for assistance in analyzing them. Special thanks to Patricia Hanneman, who conducted the main analysis.

2. Many of the trends described in this paper are also occurring in England and France (Green, 1986; Hoel, 1982; Mitter, 1986; Morokvasic, 1987; Morokvasic, Phizacklea and Rudolph, 1986).

3. In a few cases partners were listed. However, we chose not to do a special analysis of them because database fields were cropped in the state printout to 35 characters for names, and the names of partners were sometimes incomplete. We simply coded partners with one ethnic designation. In the rare case where the partners seemed to be of different ethnicities, we arbitrarily chose the clearer one.

There are no doubt some errors in this coding. However, we were able to check some of the names with a Korean, Vietnamese, and Chinese colleague. (Thanks go to Chris Lee, Yen Espiritu and Paul Ong for their help.) In addition, we obtained the Los Angeles Chinese and Korean contractors' association membership lists, helping us to verify over 150 cases. Using established ethnic names from these two sources, we were able to use the computer to clear up some discrepancies.

Occasional errors were identified in the zipcodes when they did not correspond to city names, and we cleaned these up in favor of the city.

4. The idea of "reemergence" of sweatshops suggests a period when they had disappeared., Certainly the garment industry was a notorious haven of sweatshops at the turn of the century, when Jewish and Italian immigrants in New York made up the primary workforce. However, with unionization and the enactment of labor law, sweatshops disappeared. The reemergence seems to be associated with the rise of imports and increasing competition with low-wage production abroad, and with the new immigration from Third World countries. Both of these developments took off in the 1960s, and both have grown massively since then.

5. Most of the immigrant generation of contractors can be seen as sacrificing themselves for the next generation. In that sense, one can see them as "successful," and conclude that the system is working well for them, enabling them to achieve their goals. However, one can argue that the sacrifice of a whole generation, even if they willingly choose this sacrifice, is socially unacceptable in human terms. Moreover, the **fact** that **the** immigrants are able to ensure their children's escape from oppression does not excuse the fact **that this** escape is made possible by the oppression of another sector of the population: their employees.

6. Some will argue that the higher paid employees "deserve" their

high pay. They are being rewarded for their investment in education. Their education makes them more valuable to their employers. They are more "productive" workers and are rewarded for their productivity. In answer, I would argue that we are witnessing a social decision about how to allocate reward in this society. Even if one can demonstrate that salary levels are driven totally by market forces, a dubious proposition, the decision to allow the market to drive salaries so high and so low remains a decision, and not just a force of nature.

7. Of course the workers are not completely powerless. They always have the potential to become a political force that challenges and overthrows their domination. In this paper I am simply focusing on the ways the system works to try to crush that resistance.

Figure 1. Relationship of Forces in the Los Angeles Garment Industry

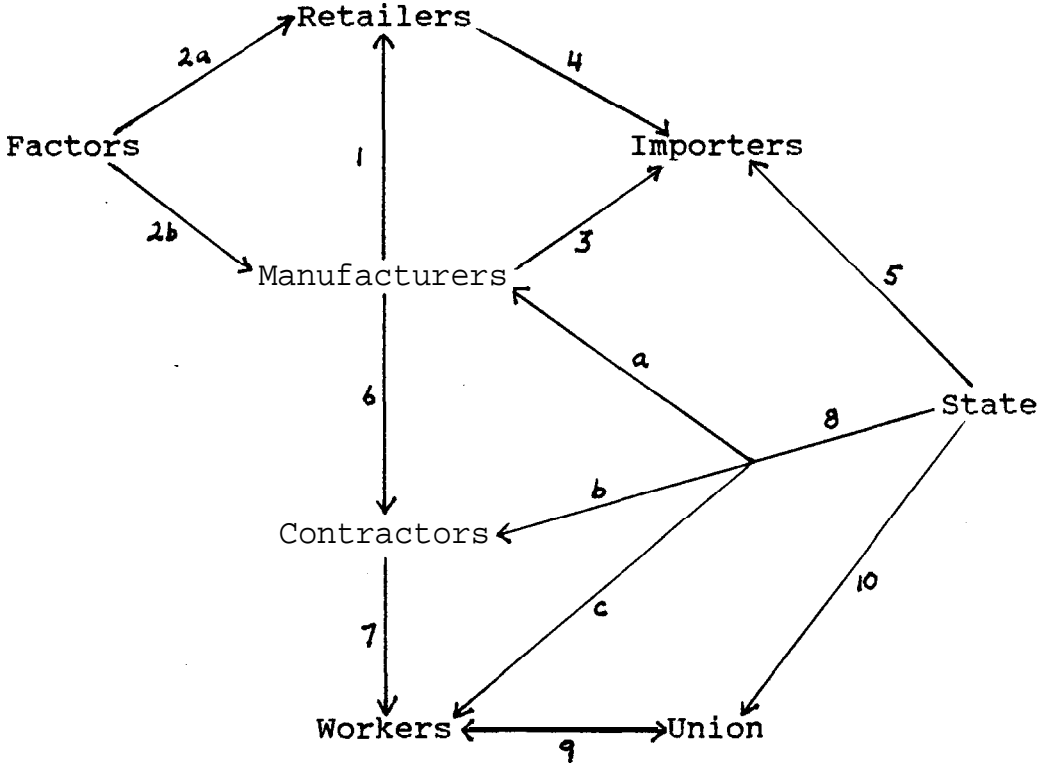


Table 1. Ethnicity of California Garment Factory Registrants,
by Location, April 1989.

	North		South		Counties			
					San Francisco		Los Angeles	
	No.	%	No.	%	No.	%	No.	%
Chinese	318	56.1	220	7.9	227	65.6	217	8.7
Korean	26	4.6	492	17.6	18	5.2	480	19.2
Vietnamese	86	15.2	470	16.9	29	8.4	333	13.3
Other Asian	71	12.5	278	10.0	39	11.3	243	9.7
Total Asian	501	88.4	1460	52.3	313	90.5	1273	51.0
Latin0	16	2.8	939	33.7	9	2.6	887	35.5
Other	50	8.8	390	14.0	24	6.9	337	13.5
Total Ethnic	567	100.0	2789	100.0	346	100.0	2497	100.0
Unknown	179	24.0	1051	27.4	116	25.1	973	28.0
Total	746		3840		462		3470	

Source: California Department of Industrial Relations, Division of Labor Standards Enforcement. List of Registrants in the Garment Manufacturing Industry, April 18, 1989.

Table 2. Ethnicity of Garment Factory Reaistrants in Southern California, April 18, 1989.

	Garment District		Other LA City		Other LA County		Orange County		Other SoCal Cntys	
	No.	%	No.	%	No.	%	No.	%	No.	%
Chinese	62	6.0	99	12.7	56	8.2	1	0.5	2	1.6
Korean	381	37.0	51	6.5	48	7.0	10	6.0	2	1.6
Vietnamese	66	6.4	111	14.2	156	22.7	102	61.1	35	28.0
Other Asian	86	8.3	94	12.0	63	9.2	25	15.0	10	8.0
Total Asian	595	57.8	355	45.4	323	47.1	138	82.6	49	39.2
Latin0	312	30.3	317	40.5	258	37.6	11	6.6	41	32.8
Other	122	11.9	110	14.1	105	15.3	18	10.8	35	28.0
Total	1029	100.0	782	100.0	686	100.0	167	100.0	125	100.0

Source: Same as Table 1.

References

- Aggarwal, Vinod K. 1985. Liberal Protectionism: The International Politics of Organized Textile Trade. Berkeley: University of California Press.
- Applegate, Jane. 1990. "If set up with care, relationship with a factor can be key for apparel makers." Los Angeles Times. February 9. Section D.
- Bonacich, Edna. 1987. "'Making It' in America: A social evaluation of the ethics of immigrant entrepreneurship." Sociological Perspectives 30:446-466.
- California Employment Development Department. 1988. Annual Planning Information Los Angeles-Lona Beach, 1988-89.
- California Legislature, Assembly Subcommittee on Immigration in the Workplace. 1987. A Status Report on California's Garment Industry, Sacramento.
- Chen, Edwin. 1989. "Nordstrom to pay \$200,000 to settle civil suit." Los Angeles Times, September 1.
- Dunn, Ashley and Louis Sahagun. 1989. "Fire heightens concern about buildings' safety." Los Angeles Times, Part B, December 6.
- Efron, Sonni. 1989a. "'Sweatshops expanding into Orange County;' "Mother's plight turns a home into a sweatshop;" "'Hot goods' law revived as anti-sweatshop tool." Los Angeles Times, November 26-28, Part A.
- _____. 1989b. "Campaign against sweatshops planned." Los Angeles Times, December 31, Part A.
- _____. 1990. "Hayden taking a bead on sweatshops." Los

Anseles Times, February 28, Part A.

Fernandez-Kelly, M. Patricia and Anna M. Garcia. 1989. "Hispanic women and homework: Women in the informal economy of Miami and Los Angeles." Pp. 165-179 in Homework: Historical and Contemoorary Prespectives on Paid Labor at Home, edited by Eileen Boris and Cynthia R. Daniels. Urbana: University of Illinois Press.

Ferraro, Cathleen. 1988. "Can design patents knock out the knockoffs?" California Apparel News, September 2-8.

Forman Martin and John Gilbert. 1976. Factoring and Finance. London: Heinemann.

Froebel, Folker, Jurgen Heinrichs and Otto Kreye. 1980. The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries. Cambridge: Cambridge University Press.

Green, Nancy L. 1986. "Immigrant labor in the garment industries of New York and Paris: Variations on a structure." Comparative Social Research 9:231-243.

Hoel, Barbro. 1982. "Contemporary clothing 'sweatshops,' Asian female labour and collective organisation." Pp. 80-98 in Work. Women and the Labour Market, edited by Jackie West. London: Routledge and Kegan Paul.

Jacobs, Brenda. 1988. "The 807 option: New trade south of the border." Bobbin

Laslett, John and Mary Tyler. 1989. The ILGWU in Los Angeles, .x907-1988. Inglewood: Ten Star Press.

Light, Ivan and Edna Bonacich. 1988. Immigrant Entrepreneurs:

- Koreans in Los Angeles, 1965-1982. Berkeley: University of California Press.
- Los Angeles Area Chamber of Commerce. 1989. Industry Profile (of Apparel Industry).
- Loucky, James, Nora Hamilton and Norma Chinchilla. 1989. "The effects of IRCA on selected industries in Los Angeles: A preliminary report." Unpublished manuscript.
- Malnic Eric and Hector Tobar. 1989. "31 plucked from burning building." Los Angeles Times, Part B, . December 6.
- Maram, Sheldon L. 1980. Hispanci Workers in the Garment and Restaurant Industries in Los Anaeles County: A Social and Economic Profile. UC San Diego: Working Papers in U.S.-Mexican Studies # 12.
- _____. 1986. "Industrial restructuring and manufacturing homework: Immigrant women in the U.K. clothing industry." Capital and Class 27(Winter):37-80.
- Morokvasic, Mirjana. 1987. "Immigrants in the Parisian garment industry." Work, Employment and Society I(December):441-462.
- Morokvasic, Mirjana, Annie Phizacklea and Hedwig Rudolph. 1986. "Small firms and minority groups: Contradictory trends in the French, German and British clothing industries." International Socioloav I(December):397-419.
- Moskowitz, Louis A. 1977. Dun and Bradstreet's Handbook of Modern Factoring and Commercial Finance. New York: Thomas Y. Crowell.
- Nehmer, Stanley and Mark W. Love. 1985. "Textiles and apparel: A negotiated approach to international competition." Pp. 230-

- 263 in U.S. Competitiveness in the World Economy, edited by Bruce R. Scott and George C. Lodge. Boston: Harvard Business School Press.
- New York State Assembly, Standing Committee on Labor. 1984. A Report on the Plight of the Collective Baraainina System.
- Noyelle, Thierry J. 1987. Beyond Industrial Dualism: Market and Job Segmentation in the New Economy. Boulder: Westview.
- Olney, Peter. 1989. "Some strategies for change: The rising of the million." L.A. Weekly (Feb 24-Mar 2):28-29.
- Ong, Paul M. 1989. The Widening Divide: Income Inequality and Poverty in Los Angeles. UCLA School of Architecture and Urban Planning.
- Parsons, Carol A. 1988. "The domestic employment consequences of managed international competition in apparel." Pp. 113-155 in The Dynamics of Trade and Employment edited by Laura D'Andrea Tyson, William T. Dickens, and John Zysman. Cambridge, Massachusetts: Ballinger.
- Piore, Michael J. and Charles F. Sabel. 1984. The Second Industrial Divide: Possibilities for Prosperity. New York: Basic.
- Rothstein, Richard. 1989. Keeping Jobs in Fashion: Alternatives to the Euthanasia of the U.S. Apparel Industry. Washington, D.C.: Economic Policy Institute.
- Soldatenko, Maria. 1989. "Who is organizing Latina garment workers in Los Angeles?" Paper presented at annual meeting of the Southwest Oral History Association, Los Angeles, April 14.

- Taplin, Ian M. 1989. "Structure and change in the apparel industry." Unpublished manuscript.
- U.S. Department of Commerce, International Trade Administration. 1988. 1988 U.S. Industrial Outlook. Washington, D.C.
- _____. 1989. 1989 U.S. Industrial Outlook. Washington, D.C.
- U.S. General Accounting Office. 1988. "Sweatshops in the U.S.": Opinions on their extent and possible enforcement options. Washington, D.C.
- U.S. House of Representatives, Committee on Education and Labor. 1982. "The reemergence of sweatshops and the enforcement of wage and hour standards." Hearings before the Subcommittee on Labor Standards. 97th Congress, first and second sessions. Washington, D.C.
- _____. 1984. "The failure of Labor Law--A Betrayal of American Workers." Report of Subcommittee on Labor-Management Relations. Washington, D.C.
- Waldinger, Roger D. 1986. Through the Eye of the Needle: Immigrants and Enterprise in New York's Garment Trades. New York: New York University Press.
- Wolin, Merle Linda. 1981. "Sweatshop: Undercover in the garment industry." Los Angeles Herald Examiner, January 14-February 1.