Back to the Sweatshop or Ahead to the Informal Sector?*

ROGER WALDINGER AND MICHAEL LAPP

The concept of the 'informal sector', first introduced in the early 1970s in studies of Africa, has recently gained currency as a tool for understanding the changes under way in the advanced industrial societies. Originally, the concept was used to describe the variety of third world business enterprises characterized by their small scale, ease of entry, labour intensiveness and the evasion of government regulation. The first wave of studies identified the informal sector as a leftover from precapitalist modes of production; subsequent work portrayed the informal sector as an increasingly integral aspect of industrializing third world economies. But the most recent evidence suggests that the informal sector is a first world phenomenon as well. Increasingly, social scientists draw our attention to the growing proportion of persons working on their own account, the shift toward smaller firm size, the expanding scope of economic activities whose existence is concealed from the state, the revival of homework and the burgeoning of sweatshops. They conclude from this disparate set of phenomena that the informal sector is alive, well and growing in the postindustrial West.

This paper takes a sceptical look at this new version of the informal sector idea by examining a case that is critical for the informal sector claims — the 'sweatshop' phenomenon in New York's garment industry. That the garment industry has gone 'back to the sweatshop' is a crucial piece of evidence in the entire informal sector story. As Portes and Castells argue in their recent edited book on the subject:

Furthermore, it is the expansion of informal activities in a largely regulated context that gives a new historical meaning to the current process of a rising informal economy. It is often argued that uncontrolled exploitative relationships are the oldest story, so that sweatshops represent classical capitalism, not advanced capitalism. But it is precisely the development of sweatshops and of other unregulated activities after a long period of institutional control that causes old forms of production to become new ones. An old form in a new setting is, in fact, new ... (Portes and Castells, 1989: 13; italics added)

Indeed, the sweatshop revival in New York's garment industry figures prominently and frequently in accounts of the growth of the 'informal economy' in the United States.1

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1. Examples from the scholarly literature include: Boris, 1988; Dengler, 1986; Feagin and Smith, 1987; Harvey, 1990; Matassa, 1985; Parsons, 1988; Portes and Sassen-Koo, 1987; Ross and Trachte, 1983; Sassen-Koo, 1984; Sassen, 1989a; 1989b; M.P. Smith, 1987; 1988; USGAA, 1988. Furthermore, each of the three US case studies in Portes et al.'s recently published The Informal Economy (1989) use sweatshops in the garment industry as prime examples of the growth of the informal economy.

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of the industry press (DeStefano and Richardson, 1979) and, lastly, the mainstream news media.

As the sweatshop issue was pushed into the policy arena, it received heightened levels of attention. New York State Senator Franz Leichter, who introduced legislation in 1979 to license garment contractors, issued several reports asserting that sweatshops were growing at an alarming rate; these drew substantial public attention (USGAO, 1989: 22). Two pilot surveys conducted by the New York State Department of Labor in 1981 found evidence of a wide array of labour standards violations, including industrial homework, non-compliance with overtime provisions and inadequate record-keeping. In 1986, New York State amended its labour laws, making it mandatory for garment firms to register with the state's Labor Department as of 1 April 1987, and establishing an Apparel Industry Task Force charged with enforcing the registration requirement and general labour standards (New York State, Department of Labor, 1987). The onset of enforcement activities has generated a new torrent of reports about the sweatshop's return.

Tied to the question of sweatshops is that of homework. Both journalists and scholars have tended to view homework as the sweatshop's logical extension. Homework also evokes images of an era of exploitation that was thought to be long gone. And as in the case of sweatshops, the issue carries weighty symbolic baggage. For the left, the federal and state legislation of the 1930s outlawing homework marked a triumph of labour activism and political progressivism. For the right, homework bolsters family relationships while anti-homework laws typify liberal interference with the free market and infringement of personal rights. Despite their differences, however, observers on both the left and the right have tended to agree that homework is on the rise. Sassen (1989a), for example, claims that there are 'some 10,000 homeworkers' in New York City's apparel industry. Silver (1989: 111) cites the New York State Labor Department for an estimate that puts the number of homeworkers at 50,000! Boris offers an explanation that appears through the literature:

'[the] resurgence of homework . . . issues from the unstable economy of the 1970s. As the garment unions weakened and economic and political refugees from the Americas and Asia entered the workforce in increasing numbers, garment manufacturers and their contractors began to pay less for homework, much of which had been taken on by new immigrants. (Boris, 1989: 239)

Sweatshops, immigrants and urban change

These reports from the 'field' have filtered into the academic literature. This section summarizes the social science interpretations of the sweatshop's apparent revival.

Sweatshops and the informal sector

As we have already noted, sweatshops figure prominently in the literature on those economic activities that escape state regulation. Just what those activities are and how one should characterize them are matters of considerable debate. Indeed, social scientists cannot even

agree on a name — are we talking about an 'economy' or 'sector'? Is it 'underground', 'irregular', 'informal', 'black' or 'shadow'? Notwithstanding difficulties in nomenclature, a consensus holds that a not insignificant proportion of employment is 'concealed' and that a somewhat smaller proportion of total production may not appear in the national accounts (Carson, 1984a; 1984b).

Whereas the underground economy includes both non-market activities embedded in reciprocal relations among kin and neighbours (Gaughan and Ferman, 1987) as well as criminal activities, sweatshops fall into the OECD categorization of 'concealed employment':

employment, which while not illegal in itself, has not been declared to one or more administrative authorities to whom it should be made known, thereby leading to evasion of legal regulations, the evasion of taxes, or the evasion or a reduction of social security entitlements. (OECD, 1986: 67)

Analysts have offered both supply- and demand-side explanations for the growth of sweatshops. Supply-side arguments emphasize the motivations that lead workers to seek underground employment. Here the central contention bears on the consequences of illegality: one possibility is that illegal status will deter immigrants from seeking work in the regular economy, opting for concealed employment instead (OECD, 1986); an alternative emphasizes the vulnerability of illegals to exploitation (USGAO, 1988). Such views are reiterated in academic (Grasmuck, 1985; M.P. Smith, 1988), union (Mazur, 1979), government (Leichter, 1981) and journalistic (Ross, 1978) accounts.

Demand-side arguments, by contrast, tend to explain the growth of sweatshops as part of a broader process of 'informalization'. In this view, informalization in the garment industry and elsewhere in the US economy is a response to several factors: (1) the severity of international competition; (2) the pressure it imposes on wages, work rules and large investments in plant and capital; (3) the opportunities that arise to small employers who can simultaneously cut production cycles and lower labour costs (Mattera, 1985; Parsons, 1988; Portes and Sassen-Koo, 1987; M.P. Smith, 1988).

Sweatshops and economic polarization

'There is a close association between areas of high immigrant concentration', note Portes and Castells, 'and those in which the US informal sector seems most vigorous' (1989: 23). Proponents of 'informalization' contend that this close association stems, in part, from changes in the urban manufacturing complex. The growth of the so-called 'downgraded manufacturing sector' is one such shift, claims Sassen, involving 'the social reorganization of the work process, notably the expansion of sweatshops and industrial homework' (Sassen, 1988: 145; see also Ross and Trachte, 1983: 413–16). Smith echoes this argument in his (M.P. Smith, 1988) book on City, state, and market, where he maintains that 'new patterns of inequality have emerged in cities experiencing rapid economic growth' because 'low paid service workers are taking their place alongside a growing number of poorly paid industrial workers from the Third World who account for another major US central
city employment growth sector in the past decade — the new immigrant sweatshop' (p. 200).7

How many sweatshops?

Current estimates and definitions

Though there are numerous and varying estimates of the number of sweatshops, a recent GAO report notes that ’the most frequently cited estimate of 3,000 sweatshops employing 50,000 workers originated from a series of investigations conducted by the staff of New York State Senator Franz S. Leichter during the late 1970s (USGAO, 1988: 23).’ For example, Leichter’s estimates are cited as evidence of the size of the sweatshop sector by Sassen (1989b: 66), Mattern (1985), Ross and Trachte (1983: 413–16), Dengler (1986: 268), and New York Times reporter William Serrin (1983a), whose article is in turn quoted at length by M.P. Smith (1988: 216). The evidentiary basis for Leichter’s evidence, however, has never been established. In his first report, Leichter speaks of ’thousands of undocumented workers employed in ’horrendous surroundings’ (Leichter, 1979: 1) and then zeroes in on the northern Manhattan area, where he claimed to have found ’well over one hundred’ sweatshops. In his second report, Leichter contends that ’Citywide there are now at least 3,000 garment factory sweatshops in existence, according to the ILGWU [International Ladies’ Garment Workers’ Union]’ (Leichter, 1981: 4; italics added) with the result that ’in excess of 50,000 New Yorkers work in a state of peonage ...’ (ibid.: 31). By report number 3, Leichter ups his estimate to 60,000. Virtually identical estimates of more than 3,000 sweatshops employing over 50,000 workers have been made by the director of the New York State Apparel Industry Task Force, who further contends that there are 2000 more apparel establishments than are reported in government statistics (P. Smith, 1989; USGAO., 1989). A 1989 GAO report on sweatshops in New York City endorses these figures as the ’most credible estimate of the number of sweatshops and people working in them’ (USGAO, 1989: 22).

These estimates have been recorded time and again by the press (La Rosa and Thompson, 1988; Lum, 1988; Mort, 1988; Bagli, 1989; Powell, 1989). Obtaining extensive publicity is in fact an explicit component of the Task Force’s strategy, since highlighting the misfortunes of employers who get caught is thought to deter other would-be exploiters. However, the Task Force’s estimates are based not on a survey, but simply on extrapolating from the violations uncovered during enforcement campaigns. Since the investigations are by no means random, but deliberately focus on those sub-industries and geographical areas where violations are believed to concentrate, this extrapolation leads to an inflated estimate. It is unlikely that the rate of violations among all firms equals the rate among those that have been targeted by the task force. Furthermore, comparing the number of violators to registered firms is inappropriate, since the base of registered firms is far more stable than the number of sweatshops, which normally move in and out of existence at a very high rate. As we shall suggest later, other contextual considerations give further reasons for doubt.

7. Both Smith and Sassen have reiterated these arguments in other publications. See, for example, Sassen, 1989b; Sassen-Kooob, 1984; M.P. Smith, 1987: 239–44. In an article co-authored with Feagin, Smith claims that ’in the 1970s and 1980s an estimated 6,000 manufacturing “sweatshops” were opened in New York, Los Angeles, and Chicago, employing a total of 85,000 workers’ (Feagin and Smith, 1987: 14). These contentions about the relationship between restructuring and the growth of sweatshops have now entered the broader debate about changing patterns of inequality in the United States: see Harrison and Bluestone, 1986.

8. Publicity is also an element in the Task Force’s interminable bureaucratic conflicts: the more visible the problem, the greater the pressure on money-disburseurs for funding. Clearly, one cannot ask officials to act otherwise, but one can expect social scientists and journalists to take these motivations into account in their own reporting.

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Back to the sweatshop or ahead to the informal sector?

has expanded, as the literature claims, then the ratio of production to non-production workers should have declined.

These are precisely the points made by Sassen, who claims that 'a detailed occupational analysis of these employment figures for the [1982 New York metropolitan] area shows that over half of all the workers in registered firms were white-collar employees' (1989: 66). Sassen fails, however, to indicate the source of this figure. A review of a variety of statistical sources, each collected on a different basis, shows a strikingly different pattern. Tabulations that from the 1980 Census of Population indicate that production workers accounted for 75% of employment in New York City; comparable figures from the 1982 US Census of Manufacturers and the New York State Occupational-Employment Survey are 79% and 70% respectively.

Time-series data for the period of purported sweatshop growth also indicate no marked shift in the production worker ratio for New York City. According to the Census of Population, the proportion of production workers declined 1.5 percentage points between 1970 and 1990. OES data show a drop of just under 5 percentage points between 1973 and 1980; the Census of Manufacturers indicates a 3.4 percentage point decline between 1972 and 1982. 12

A related strategy that also exploits the above-ground location of the manufacturers and jobbers is to make use of the double-entry bookkeeping system of the National Accounts (OECD, 1986). As Carson (1984b) points out, individuals may not report or may under-report income for services or goods provided; yet those same services or goods will be recorded in the national accounting system. While small sweatshop-type employers in the garment industry may under-report the money paid for production workers' wages, it is less likely that the IRS will be systematic under-reporting of total receipts, inventories, cost of raw materials etc. — especially since final sales and raw materials purchases are all made by jobbers or manufacturers. Consequently, one indicator of a steadily growing underground sweatshop would be a sharp decline in the ratio of wages for production workers to total value added by manufacturing. 13

Figure 1 shows the changes from 1967 to 1982 in this ratio for New York City, for the United States as a whole, and for the United States without California and New York State — the two areas where sweatshop production is supposedly concentrated. The figure shows that the ratio of production workers' wages to value added by manufacturing has indeed declined. But the decline is constant, with no sudden shift in the late 1970s when the number of sweatshops and illegal immigrants purportedly burgeoned. There is no difference in the trendline between New York and those other 48 states where there are few immigrant garment workers — suggesting that the downward shift is caused by productivity changes that are broadly shared throughout the industry and not by an increase in sweatshops. 14 Finally, that this indicator indicates no distinctive New York effect is a particularly strong finding against the informalization hypothesis, since it would be easier to conceal a portion of wages than to conceal employment outright.

Proposition 2: A shadow labour force

A common theme in writings on the underground economy is the availability of a shadow labour force recruited for informal types of employment. The shadow labour force may

12. Production workers are classified consistently for the years cited in the above two paragraphs. Data from the US Census of Population are calculated from the Public Use Microdata Samples (see Waldinger, 1986: 107); OES data are from New York State, Department of Labor, Occupational employment statistics: manufacturing, various issues; Census of Manufacturers data are from US Census of Manufacturers, Geographic area reports: New York, various issues.

13. Value added is a residual figure calculated by the Census Bureau after subtracting the cost of raw materials, fuels, outside contract work and suchlike from total receipts reported.


11. Manufacturers perform all operations — textile purchase, apparel design, clothing production and sale of finished garments; jobbers undertake all the above operations, with the exception of production, which they contract out to specialized production facilities; contractors sew garments into final production. In New York, virtually all production of women's and children's garments is undertaken by contractors working for jobbers.
consist of women, youth, or immigrants and ethnic minorities, who are under-represented in the recorded or formal labour market, but none the less appear to be engaged in the production of goods and services.

OECD (1986) notes that employment-to-population rates and hours of work recorded are indirect indicators of the presence of such a shadow labour force. In Europe, for example, comparatively low employment-population ratios and low recorded hours of work in the Mediterranean basin countries suggest a sizeable informal sector. Contini (1981) points out that while official data on labour force participation rates in Italy show considerable decline from the late 1950s to the mid-1970s, field studies found that a much higher proportion of the population was economically active. Writing about the Spanish informal sector, Benton (1990: 35) noted that ‘the percentage of the population that was economically active actually showed a slight decline between 1975 and 1981, an exceptional trend among OECD countries’ and that the proportion of unemployed workers collecting unemployment payments dropped in the early 1980s, ‘swelling the ranks of potential participants in unregulated activities’.15

Journalistic and academic accounts uniformly depict the sweatshop labour force as an immigrant labour force. If this is indeed the case, the above reasoning would suggest the following hypotheses: immigrants would experience below average labour force participation rates; they would also be under-represented in the garment industry overall; and those immigrants employed in the garment industry would be expected to report lower than average hours of work.

Table 1, which presents data comparing the ten largest groups in the garment industry of 1980 to native whites, shows that the opposite is true. Immigrants are in fact greatly over-represented in the garment industry: Chinese, for example, are over-represented by a factor of almost 7; Dominicans by a factor of almost 5. Low work-hours are not a characteristic of immigrant workers either; immigrants highly over-represented in the industry worked almost as many or more hours than native white production workers. As to labour force participation, under-representation is mainly a phenomenon of old, not new, immigrant groups; relative to native whites, Dominican women in 1980 comprised the only new immigrant group that was under-represented in the labour force, but over-represented in the garment industry. If we assumed the entire Dominican—native white disparity in labour force participation could be accounted for by ‘shadow’ workers employed in sweatshops or by home-sewers, the net increment would be less than 2500 — less than one worker for each of the reputed 3000 sweatshops! Of course, it is possible that these official statistics miss out on the employment of immigrants in sweatshops. But a simple thought experiment — in which the reader calculates the effect of 10, 20, or 30,000 missing sweatshop workers on the representation levels of new immigrant groups — makes this scenario highly implausible.

Cross-checking official statistics against other types of data casts further doubt on recent estimates of a shadow immigrant labour force. Morrison Wong (1983), Sassen (1988), and Kwong (1987) all indict New York’s Chinatown as a concentration of sweatshops. While Chinatown’s garment contractors may include many firms that cheat on hours and wage laws, they are clearly not underground. Data from the New York State Labor Department’s ‘Covered Employment Series’, which come from employers’ unemployment insurance reports and can be disaggregated to the zip code level, show that women’s outerwear employment in Chinatown rose from 8095 in 1969 to 15,567 in 1988, a gain of 92%. During the same period, women’s outerwear employment in the rest of Manhattan fell by almost 55%. These official data are entirely consistent with administrative data.

15 Contini then used these discrepancies to construct a measure of the size of the Italian informal sector.
16 For a review of other ‘indirect’ approaches to estimating the size of the informal economy in European countries, see Biedermann-Liverato, 1987: 55–86. A similar approach was applied to the United States by a Census Bureau study which found that black teenagers were the only group among whom there appeared to be a pronounced increase in the potential size of the shadow labour force. See United States Congress (1983: 14).

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But journalistic and scholarly accounts of the sweatshop do not simply contend that immigrants furnish the needed exploitable labour force: the key, rather, is the presence of illegal immigrants, who are supposedly so vulnerable and desperate for employment that they will accept any job, no matter how bad the conditions. Such logic has added plausibility to the claim by some researchers (Hill and Pierce, 1987) that the apparel industry is actually the nation’s largest employer of illegal immigrants.

But support for these contentions is weak. We now know that earlier guessimates wildly inflated the size of the undocumented population and that the 1980 Census of Population succeeded in enumerating the great majority of illegal immigrants then resident in the country (Warren and Passel, 1987). Similarly, a decade and a half of research on illegal immigration has shown that their economic, demographic and human capital characteristics differ little from those of legal immigrants of similar ethnic backgrounds. According to a recent US Department of Labor report, ‘in many instances, illegal status does not lead to significantly lower earnings, nor does it appear to impede mobility substantially’ (US Department of Labor, 1989: 158). In a case of particular relevance to the question at issue here, Gill and Long (1989) analysed data from a survey of immigrant garment and restaurant workers in Los Angeles, many of whom were illegals, and concluded that illegality had no significant effect on earnings after controls for human capital and industry characteristics. Comparing results from this survey with the Ashenfelter-Summers data discussed earlier, Bailey argued that ‘compliance in the restaurant and garment industries (both of which employ many undocumented workers) is not much different from compliance in the country as a whole’ (Bailey, 1987: 140).

Data about the characteristics of persons who applied for legalization under the amnesty provisions of the 1986 Immigration Reform and Control Act (IRCA) further undermine the contention that the New York garment industry is particularly dependent on undocumented workers. Table 2 compares the occupational distribution of employed legalizes with all New York City workers. Women legalizes — the key labour force group for the garment industry — were overwhelmingly concentrated in service occupations (over 50%), contrary to expectations. And though they were also over-represented among operatives, this category accounted for only a fifth of their employment. Moreover, the number of operatives was modest: even if all 6000 had been working in sweatshops prior to applying for legalization, they could hardly have filled the famous 3000 sweatshops.

Even more telling are the results of the ILGWU’s attempt to provide legalization services to its members. Although there are more than 15 times as many ILGWU members in New York as in Los Angeles, only 245 union members and 355 of their relatives applied for amnesty in New York, in contrast to the 1000 members who applied in Los Angeles. Furthermore, the national origins of those workers who applied for legalization appear highly distinctive. The 245 members who applied for legalization came from countries that comprised 52% of the industry’s 1980 employment. Chinese were highly over-represented among these 245 applicants whereas Dominicans were greatly under-represented, a contrast of considerable interest since a variety of indicators suggest that the proportion of undocumenteds is higher among the Dominicans than among the Chinese.

Moreover, the Hispanic groups most numerous among the applicants were Ecuadorians and El Salvadorans, immigrants who comprise a very small portion of the industry’s labour force. Adding further credence to the argument that undocumented workers do not play a major role in New York’s apparel industry are results from a survey of employers’ associations and union officials that we conducted in summer 1988 inquiring into the effect of the employer sanctions provision of the 1986 Immigration Reform and Control Act (IRCA). Five of the seven employer associations contacted said that IRCA had little impact on the labour supply, adding that their industries hired few undocumented workers. Four of six union officials predicted that IRCA would have no appreciable impact on the labour supply, citing the small total number of undocumented workers in their unions. An ILGWU vice-president said that labour was in short supply in the suburban and exurban areas of the New York region, but not in the city, where most immigrants are concentrated. One ACTWU (Amalgamated Clothing and Textile Workers’ Union) official provided the following perspective: ‘Employers in this trade uniformly ignore laws. But I have gotten no questions or disputes over the law. No one has ever said anything about [the new immigration reporting requirements]. There’s no hubbub over this.’ The New York City economic development official with responsibility for the apparel industry commented similarly: ‘From what I understand, New York City hasn’t had problems. I’ve had zero phone calls regarding this subject.’

Proposition 3: From factory to home

Inescapable from claims that sweatshops are proliferating is the contention that homework, once almost extinct, has experienced a massive rebirth. These arguments are subject to the cross-checks already developed above. If the number of homeworkers burgeoned during the 1970s to the 10,000 level, as Sassen maintains, then we should have found a much greater decline in the various ratios discussed in the previous section than we actually observed.

More direct evidence on homework comes from answers to the place of work question in the Census of Population, to which ‘home’ was a possible answer. Tabulations for women workers in the five largest immigrant-receiving Standard Metropolitan Statistical Areas (SMSAs) — New York, Chicago, Miami, Los Angeles and San Francisco, all of which had sizeable garment industries — provide results that run contrary to the conventional

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Occupational distribution, all employed, New York City; employed New York City legalizes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All workers (%)</td>
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<tr>
<td>Total</td>
<td>99.5</td>
</tr>
<tr>
<td>Exec. &amp; managerial</td>
<td>14.7</td>
</tr>
<tr>
<td>Prof. &amp; tech</td>
<td>16.2</td>
</tr>
<tr>
<td>Sales</td>
<td>10.6</td>
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<tr>
<td>Admin. &amp; support</td>
<td>12.5</td>
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<td>Precision product</td>
<td>14.3</td>
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<tr>
<td>Operators</td>
<td>15.6</td>
</tr>
<tr>
<td>Service</td>
<td>15.6</td>
</tr>
</tbody>
</table>

Source: Total New York City: Geographic Profile of Employment and Unemployment, 1986, BLS Bulletin 2279; Legalizes: New York City Department of City Planning.

18. Interview with Muzaffar Chishti, director, ILGWU Immigration Project. National origins data reported on in this paragraph are from the ILGWU files; we are deeply grateful to Mr Chishti for making these data available to us.

19. A follow-up study conducted in 1989, which included a survey of 28 garment firms, found no change in the view of union officials and employers’ representatives. The employer survey showed that IRCA had exercised differential effects on the industry — with little impact among larger, non-immigrant firms, and much greater force among smaller, immigrant firms which are limited in their ability to draw on the broader, legal labour force (Waldinger, 1990).
Table 3  Female workers reporting employment 'at home': major immigrant-receiving metropolitan areas, 1980

<table>
<thead>
<tr>
<th></th>
<th>Chicago</th>
<th>New York</th>
<th>Miami</th>
<th>Los Angeles</th>
<th>San Francisco</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employed (%)</td>
<td>1.4</td>
<td>1.7</td>
<td>1.5</td>
<td>1.8</td>
<td>2.5</td>
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<tr>
<td>Specific sectors (%):</td>
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<tr>
<td>Construction</td>
<td>5.2</td>
<td>4.8</td>
<td>8.2</td>
<td>4.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.7</td>
<td>1.1</td>
<td>1.0</td>
<td>0.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Apparel</td>
<td>0.2</td>
<td>0.7</td>
<td>1.9</td>
<td>1.1</td>
<td>2.5</td>
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<tr>
<td>TCU</td>
<td>0.6</td>
<td>0.7</td>
<td>0.3</td>
<td>0.4</td>
<td>0.6</td>
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<tr>
<td>Wholesale</td>
<td>1.7</td>
<td>1.2</td>
<td>0.9</td>
<td>1.1</td>
<td>2.3</td>
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<tr>
<td>Retail</td>
<td>1.2</td>
<td>1.1</td>
<td>0.8</td>
<td>1.0</td>
<td>1.4</td>
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<tr>
<td>FIRE</td>
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<td>0.8</td>
<td>2.1</td>
<td>2.5</td>
<td>1.9</td>
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<td>3.7</td>
<td>3.5</td>
<td>4.1</td>
<td>4.7</td>
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<td>Personal services</td>
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<td>7.4</td>
<td>4.3</td>
<td>9.4</td>
<td>9.1</td>
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<tr>
<td>Professional services</td>
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<td>2.5</td>
<td>1.6</td>
<td>2.3</td>
<td>3.6</td>
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<tr>
<td>Public sector</td>
<td>0.2</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>0.8</td>
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<tr>
<td>Specific ethnic groups (%):</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Native whites</td>
<td>1.6</td>
<td>1.9</td>
<td>1.8</td>
<td>2.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Hispanic immigrants</td>
<td>0.7</td>
<td>1.5</td>
<td>1.5</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Asian immigrants</td>
<td>1.3</td>
<td>2.2</td>
<td>2.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>White immigrants</td>
<td>2.0</td>
<td>3.1</td>
<td>2.5</td>
<td>2.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Ratios of apparel relative to:</td>
<td></td>
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</tr>
<tr>
<td>All industries</td>
<td>17.9</td>
<td>42.2</td>
<td>127.3</td>
<td>61.0</td>
<td>98.1</td>
</tr>
<tr>
<td>Business services</td>
<td>6.5</td>
<td>20.1</td>
<td>45.7</td>
<td>23.9</td>
<td>43.3</td>
</tr>
<tr>
<td>Personal services</td>
<td>3.3</td>
<td>9.5</td>
<td>43.3</td>
<td>12.0</td>
<td>27.2</td>
</tr>
<tr>
<td>Ratios of native white employment in homework to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hispanic immigrants</td>
<td>2.5</td>
<td>1.3</td>
<td>1.2</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Asian immigrants</td>
<td>1.3</td>
<td>0.9</td>
<td>0.7</td>
<td>1.4</td>
<td>1.9</td>
</tr>
<tr>
<td>White immigrants</td>
<td>0.8</td>
<td>0.6</td>
<td>0.7</td>
<td>1.0</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: 1980 Census of Population, 5% Public Use Microdata Sample.

Back to the sweatshop or ahead to the informal sector? 19

homeworking (Kraut and Grambsch, 1988), we ran separate equations for men and women in all industries, and then a second set of separate equations for men and women employed in manufacturing only. The dependent variable in the equation is HOMEWORK, coded 1 if the person reported working at home, and 0 if the person reported working at any other site. The variables used in the analysis included age (AGE); education measured in years of school completed (ED); dummies for sectors of employment of particular interest (SERVICE, PERSERV, APPAREL, OTHMFG) and for employment in a blue-collar occupation (NUBLU); children under five at home (KIDS); children between five and eighteen at home only (KIDS2); marital status (MARRIED); and two ethnicity dummies, WHIFOR (white foreign born) and NEWIMM (Asian, hispanic and black immigrants). Although we would have preferred separate dummies for the specific ethnic groups of interest (e.g. hispanic foreign-born, Asian foreign-born, etc.), these variables produced convergence problems in earlier models, possibly due to their limited dispersion. Further details on coding and analysis are offered in the Appendix. The results for women are of greater interest, since women comprise the great bulk of the production labour force in the apparel industry. We will therefore focus the remainder of our remarks on these equations. However, it is worth noting that the equations for men produce no support at all for the contention of heavy immigrant employment in home-based industries and are entirely consistent with the results for women.

The coefficients for the equation for all employed women run contrary to claims of a burgeoning population of immigrant homeworkers with a particular concentration in apparel. As Table 4 shows, the signs for APPAREL, OTHMFG and NEWIMM all have a negative sign, with the coefficients for the first two strongly significant at the .05 level. By contrast, WHIFOR and ED are both positive and significant. The coefficient for SERVICE is also positive, though slightly above the .05 level of significance.

The equation for workers employed in manufacturing is an even more stringent test, since the nature of manufacturing industries severely reduces the potential for homework. While neither APPAREL nor either of the ethnic variables produce significant coefficients in this equation, the signs run in the same direction as in the equation for all employed. Furthermore, ED is strongly and positively related to the probability of working at home. Thus, multivariate analysis confirms the conclusions drawn on the basis of descriptive statistics alone: the probability of employment at home is negatively related to employment in apparel and to immigrant status.

This discussion of Census data can always be criticized on the grounds that individuals engaged in homework are aware that the practice is illegal and hence under-report their homework activities. But the patterns among those who do report cannot so easily be swept aside: why should apparel workers be so much less likely than workers in business services to report their employment at home? It is unlikely that immigrant status would be a deterrent to reporting employment at home, since the category personal services, a chief employer of immigrants, also includes a high proportion of homeworkers. If apparel workers do under-report their homework activities one might also expect variations in the level of homework among the five metropolitan areas for which we have tabulated data — especially since these areas differ so markedly in the ethnic composition of their immigrant populations and in the proportion of immigrants who are undocumented. Yet the differences are modest indeed, as can be seen from Table 4.

Furthermore, the apparel case is consistent with what we know about the incidence of homework in general as well as in specific occupations or industries. There is no evidence of rising levels of homework. On the contrary, as Silver (1989) notes, the proportion of workers employed at home actually declined between 1960 and 1980, with other surveys — the 1977 Quality of Employment Survey and a special 1985 Current Population Survey

21. We all know about the potential for telecommuting; metal finishing at home is presumably a somewhat more complicated matter.

20. The data source for this estimate was the 1980 Census of Population, 5% Public Use Microdata Sample.

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Re-locating immigrant informal activity

If there is little evidence of a substantial underground garment industry, what are the implications for theories of ‘informalization’ in the United States? In this section, we answer

this question by first returning to the intellectual context in which the arguments about the sweatshop’s revival have been made and then suggesting an alternative interpretation of the ‘sweatshop’’s significance.

Sweatshops, immigration and urban economic change

As noted earlier, the apparent revival of sweatshops offered scholars a clue to unravelling the puzzling coincidence of large-scale immigration and the rapid post-industrial transformation of the immigrant-receiving cities. In essence, informalization arguments explain the demand for immigrant labour in light of the emergence of new production forms, of which a major instance is the ‘sweatshop’.

But such claims do not only clash with the findings of this paper; they are inconsistent with what we know about the broader economy. The available evidence does not indicate that changes in the organization of manufacturing have yielded a growing underground production sector in the United States. Rather than being a centre of goods production, the underground economy mainly involves the purchases of final goods by consumers (Witte, 1987). IRS audits indicate that the construction, retail trade and service industries accounted for more than 80% of the understatement of business receipts and profits (DeLeeuw, 1985: 64).

Since production forms have remained stable, we suggest an alternative explanation of the puzzling relationship between immigration and urban change: the critical shift has been not on the demand but on the supply side. In New York, compositional changes — resulting from disproportionate declines in the local white population — created vacancies for immigrants at the bottom of the job ladder in industries like garments. Further openings for immigrants emerged because native-born workers dropped out of the effective labour supply in reaction to declining relative wages and working conditions. Thus, the basic structure of New York’s apparel industry did not change; rather, old positions and functions were vacated and in this way entry-level opportunities for immigrant workers were created.

A similar process of ethnic succession created opportunities for immigrant entrepreneurs. High death rates among established firms owned by white ethnics and low start-up rates have provided replacement opportunities for Chinese, Dominican and Korean contractors (Waldinger, 1986). This pattern of replacement labour and entrepreneurship holds true more generally for the immigrant-receiving economies of New York and Los Angeles (Muller and Espenshade, 1985; Waldinger, 1989).

The sweatshop in the class structure: distributional aspects of informality

Exploitation is almost a synonym for sweatshops. In the social science literature, Sassen-Koob’s (1984) concept of downgraded labour highlights the vulnerability of sweatshop workers and the collapse of working standards associated with the growth of sweatshops (see also Portes and Castells, 1989). By contrast, we will argue that the distribution of opportunities for informal income generation closely parallels the distribution of opportunities for income generation of any type. Hence, the distribution of opportunities for informal income generation is simply an instance of stratification in the most general sense. As we shall show, this line of argument is consistent with broader findings on the underground economy.

Much of the literature on the underground economy emphasizes the incentives for workers or employers to escape state regulation. As Carson noted (1984a), incentives are a necessary but not sufficient condition for underground income generation: one must also have opportunities to evade or circumvent regulations. But not all opportunities for underground earnings are equally remunerative. For example, the first wave of research on the underground economy in the United States identified an ‘irregular economy’ in black ghetto communities where workers engaged in pseudo-entrepreneurial activities from which they were barred in the regular economy (Ferman and Ferman, 1973; Bluestone, 1969). Since these transactions were confined to a ghetto clientele of severely depressed
incomes, the irregular economy offered little chance for surplus generation and amounted to exchanging one another’s wash.24

While economic marginalization confines black ghetto-dwellers to communities poor in informal resources, persons higher in the class structure than immigrants appear to enjoy even greater opportunities for participation in informal economic activities. As Marxists would predict, ownership increases both access to informal income-generating activities and the potential for hiding income from the state. Thus in the United States, it is income from rental property that is reported to the Internal Revenue Service (IRS) at the lowest rates of all (Simon and Witte, 1982: 6). The next worst offenders, as shown by European and US data, are the self-employed (OECD, 1986; Pahl, 1988; Carson, 1984a; Jencks, 1987; US Congress, 1983). Business ownership, it turns out, confers an aspect of autonomy not fully appreciated by sociologists: namely, greater opportunity to conceal one’s income. To get a feel for what these opportunities involve, consider the findings from a 1989 New York State investigation of lawyers. Their research discovered that 10% of law partners, but only 2% of solo practitioners, failed to file state income tax returns during one of the two years before tax was due (Kolbert, 1989). According to the IRS, under-reported income by ‘nonfarm proprietors’ accounted for 19.6% of the 1987 ‘tax gap’, more than twice the share of so-called ‘informal suppliers’ (United States, Internal Revenue Service, 1988).25

Furthermore, a variety of studies has found that both participation in informal economic activities and tax evasion are positively associated with socio-economic status. James Smith (1987) has shown that the probability of consumption of informal services and goods increases with education and income. Analysis of IRS data has found that higher mean income is associated with a lower proportion of taxable income reported (Witte and Woodbury, 1983). Research using both IRS and self-report data from surveys finds that level of formal education is consistently negatively related to tax compliance (Yankelovich et al., 1984; Mason and Lowry, 1981; Witte and Woodbury, 1985). Consequently, a National Academy of Sciences report concludes that the thesis that higher socio-economic status leads to ‘greater opportunities to commit economic crime’ finds support from the research on taxpayer compliance (Roth et al., 1989: 137).

The social construction of a social problem
If there is as little to the sweatshop phenomenon as we have maintained, then the relevant economic, social, or physical conditions for its emergence as a social problem is in turn making the ‘informal sector’ an object of legitimate study? One clue is that the problems of the sweatshop and of undocumented immigration have been formulated in strikingly similar ways. From the start, wildly inflated estimates of the undocumented population were a major feature of the illegal immigration debate. That so many illegal immigrants were flowing into the country inexorably led to the conclusion that the problem was essentially one of social control. On the one hand, the massive illegal inflow was eroding control over movement across borders — a basic aspect of sovereignty; on the other hand, the illegals were creating or threatening to create an underclass outside the law’ (Keely, 1982: 42).

Not only do very same themes — burgeoning numbers, loss of control (now over labour markets), growth of an underclass — emerge in journalistic and scholarly writings on the sweatshops, but the phenomena are frequently intertwined. Right from the beginning of the underground economy debate, questions were raised about the jobs and income concealed by illegal immigrants (Simon and Witte, 1982). Moreover, the tendency to link

24. More recent work, such as Williams and Kornblum’s (1984) study of youth and Jones’s (1988) research on black street peddlers, is entirely consistent with these earlier studies.

25. Furthermore, estimates of underreporting show the extraordinary opportunities for legal income concealment that the self-employed enjoy under most tax codes. As Steven Smith (1986) notes, the self-employed are able to offset a much wider range of expenses against income than can people taxed as employees.

26. So embedded is the linkage between undocumented immigration and ‘informalization’ that Portes and Sassen-Koob maintain that the ‘required labor force’ for informalization ‘has been provided, to a large extent, by a surge of immigrants coming from Third World countries’, and then go on to note a 75% increase in legal immigrants between 1970 and 1976, a ‘figure, which, of course, does not include the undocumented, whose number is estimated at being several times that of legal arrivals’ (1987: 54; italics added). As we have already pointed out, the empirical evidence provides little support for this inflated estimate of the illegal immigrant flow; moreover, one of the articles that Portes and Sassen-Koob cite to support this contention, Pasul and Woodford (1984), actually shows the opposite.

27. Our own informal list includes over 70 articles, to which should be added numerous news reports and documentaries.

28. The author is Gus Tyler (1961), long-time official of the ILGWU.
Back to the sweatshop or ahead to the informal sector?


New York State Department of Labor (1982a) *Report to the governor and the legislature on the garment manufacturing industry and industrial homework.* New York State Department of Labor, Albany, NY.
Back to the sweatshop or ahead to the informal sector?

from the Current Population Survey. Study prepared for the Joint Economic Committee. GPO, Washington, DC.


1989) 'Sweatshops' in New York City: a local example of a nationwide problem. GPO, Washington, DC.


Appendix A: Definitions and coding of variables used to estimate probability of employment at home

Dependent variable

HOMEWORK: Response to means of travel to work question, 'worked at home' (1 = homework; 0 = other)

Independent variables

ED: Years of schooling completed

AGE: Years of age

SERVICE: All 1-digit service industries, except personal services (1 = employment in SERVICE; 0 = not employed in SERVICE)

PERSERV: Personal service sector (1 = employment in PERSERV; 0 = not employed in PERSERV)
APPAREL: Apparel industry (1 = employment in APPAREL; 0 = not employed in APPAREL)

OTHMFG: All other manufacturing industries except apparel (1 = employed in OTHMFG; 0 = not employed in OTHMFG)

NUBLU: Employed as blue-collar worker, using 1970 occupational coding scheme (1 = employed in NUBLU; 0 = not employed in NUBLU)

KIDS: Children under 5 at home (1 = children under 5 at home; 0 = no children under 5 at home)

KIDS2: Children between 6 and 18 at home, but no children under 5 at home (1 = Children between 6 and 18 at home; 0 = no children between 6 and 18 at home)

DISABLE: Any work or transportation disability status (1 = any disability; 0 = none)

MARITAL: Now married, except separated (1 = now married, except separated; 0 = other)

WHIFOR: White foreign-born (1 = WHIFOR; 0 = other)

NEWIMM: Asian, Hispanic and black immigrants, regardless of time of arrival (1 = NEWIMM; 0 = other)

Source: 1980 Census of Population, 5% Public Use Microdata Sample.

Descriptive statistics, place of work (home/not at home) by sex, NYC, 1980 (25—64)

Table A1 % employed in category by place of work by sex (New York City, 1980: 25—64-year-olds)

<table>
<thead>
<tr>
<th></th>
<th>All employed</th>
<th>Employed in manufacturing only</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td></td>
<td>Out/home</td>
<td>Home</td>
</tr>
<tr>
<td></td>
<td>% emp’d in category</td>
<td>% emp’d in category</td>
</tr>
<tr>
<td>SERVICE*</td>
<td>25.6</td>
<td>22.4</td>
</tr>
<tr>
<td>APPAREL</td>
<td>2.5</td>
<td>0.5</td>
</tr>
<tr>
<td>OTHERMFG</td>
<td>15.0</td>
<td>7.7</td>
</tr>
<tr>
<td>NUBLU</td>
<td>44.3</td>
<td>19.1</td>
</tr>
<tr>
<td>KIDS</td>
<td>18.3</td>
<td>11.7</td>
</tr>
<tr>
<td>KIDS2</td>
<td>22.8</td>
<td>14.1</td>
</tr>
<tr>
<td>DISABLE</td>
<td>3.5</td>
<td>6.4</td>
</tr>
<tr>
<td>MARRIED</td>
<td>67.6</td>
<td>51.8</td>
</tr>
<tr>
<td>WHIFOR</td>
<td>12.3</td>
<td>16.7</td>
</tr>
<tr>
<td>NEWIMM</td>
<td>17.0</td>
<td>11.2</td>
</tr>
<tr>
<td></td>
<td>61,198</td>
<td>1,112</td>
</tr>
</tbody>
</table>

* SERVICE includes all 1-digit service industries, except personal service.

Table A2 Mean education and age by place of work by sex

<table>
<thead>
<tr>
<th></th>
<th>All employed</th>
<th>Employed in manufacturing only</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td></td>
<td>Out/home</td>
<td>Home</td>
</tr>
<tr>
<td>Mean education</td>
<td>12.7</td>
<td>14.2</td>
</tr>
<tr>
<td>Mean age</td>
<td>41.5</td>
<td>42.7</td>
</tr>
</tbody>
</table>

* Joint Editors and Basil Blackwell Ltd 1993.