The 'other side' of embeddedness: a case-study of the interplay of economy and ethnicity

Roger Waldinger

Abstract

As interest in ethnicities and their entrepreneurial activities has grown in recent years, sociologists have come to emphasize the importance of ethnic social structures as the source of actions propelling business growth. In a sign of convergence with the 'new economic sociology', recent literature suggests that embeddedness in ethnic networks and communities leads to cooperative, if not conformist, behaviour among ethnic economic actors. This article looks at the 'other side' of embeddedness, through a case-study of African-American, Caribbean, Korean and white construction contractors in New York City. I argue that, in construction, the embeddedness of economic behaviour in ongoing social relations among a myriad of social actors impedes access to outsiders. Embeddedness contributes to the liabilities of newness that all neophytes encounter, breeding a preference for established players with track records. However, the convergence of economic and ethnic ties has a further baneful effect, since outsiders also fall outside those networks that define the industrial community. While African-American, Caribbean and Korean outsiders all experience these barriers in similar ways, they differ in the adaptive strategies that they have pursued. African Americans appear to be most disadvantaged, in part because they have been the most exposed to the social closure that results from the mobilization of white ethnics' social capital. By contrast, Caribbeans and Koreans entered the labour market in societies where racial domination played little or no role in labour market outcomes - a considerable asset since construction skills are transferable from one society to another. The Koreans appear to be the most embedded in ethnic networks, through which they secure jobs and skilled labour, though class factors play a role here as well and even the Koreans must reach out beyond the ethnic community for a clientele. By contrast, ethnic solidarity operates less powerfully among the black contractors, who are tied to a community where intra-ethnic diversity and internal competition have grown as a result of immigration. In the absence of an ethnic market, black entrepreneurs turn to the state, whose requirements and dependence on union labour expose black builders to risks from which their Korean counterparts are sheltered.
Keywords

Embeddedness: entrepreneurship; trust; discrimination; 'social capital'.

As interest in ethnics and their entrepreneurial activities has grown in recent years, sociologists have turned away from the types of cultural explanations that prevailed when the field first began, emphasizing instead distinctive ethnic social structures that propel business growth. With these arguments, the sociology of ethnic enterprise has begun to converge with the field of economic sociology. The affinity is not always acknowledged, though as Portes and Sensenbrenner (1993) note, both Coleman (1988), in his article on 'social capital' and Granovetter (1985), in his piece on 'embeddedness' present cases drawn from immigration research. In a sense, immigration is a natural source of material for economic sociology, since 'foreign-born communities represent one of the clearest examples of the bearing contextual factors can have on individual economic action' (Portes and Sensenbrenner 1993, p. 1322). Scholars writing about ethnic enterprise have less often addressed the explicit concerns of economic sociology. Still, Light and Bonacich's concept of 'ethnic facilitation' (1988) and my own concept of 'informal ethnic training system' (Bailey and Waldinger 1991) can be readily seen as instances of 'purposive action ... embedded in concrete, ongoing, social relations', just as Granovetter (1985, p. 487) explains.

When taken together, what emerges from these writings is a picture in which embeddedness in ethnic networks and communities leads to cooperative, if not conformist, behaviour among ethnic economic actors. An ample scholarly record certainly supports this point of view, yet it does have a curious bent. Coleman, for example, who argues that social capital 'exists in the relations among persons', treats social capital as an endogenous group characteristic, varying between groups depending on the extensiveness of each one's trustworthiness and trust. But as Portes notes, 'social capital refers to the capacity of individuals to command scarce resources by virtue of their membership in networks or broader social structures' (Portes, 1994, p. 14; italics added). Since by definition the social structures promoting a group's economic action belong to that group, and not any other, membership affects ethnic outsiders and insiders differently.

Consider X, whose ethnic traits tell me that he/she is one of my own; since identity and commonality are proxies for predictability, they incline me towards trust. Our repeated exchanges convince us that the other is indeed trustworthy, while also creating an affective relationship that neither will want to break. Either of us might be tempted by the (short-term?) gain of doing the other in, but our common ties to dense multiplex networks will rein in any such opportunistic instincts.

But what will happen to Y, who does not belong to the same ethnic group as X and I? An outsider, Y, lacks the ethnic trait signalling those crucial characteristics – common background, experiences, expectations – on which trust is first built. Since I am no better, nor worse than the rest of my kind, Y's otherness has had the same effect on them: hence, Y has no record of repeated transactions that could dispel the doubts that arise from his/her identity. Though I could thus have 'rational' reasons for avoiding transactions with Y, my aversion to dealing with Y may stem from other sources. Perhaps my own history of doing business with my own kind has intensified my own-group preferences, while also sensitizing me to the identities of those who do not belong. Alternatively, Y's group has been competing with mine, which would make me mistrustful of crossing the ethnic divide. Whether I am averse or neutral to dealing with Y, the same social relationships that lubricate economic interactions within my group would provide a mechanism for excluding Y. Job vacancies in the industries in which my group is concentrated might simply get detached from the open market, being rationed instead to insiders' referrals, reflecting a quid pro quo between incumbents and employers. Since members of my group can pre-empt the hiring process, referring candidates before the employer even knew there would be a vacancy, word of hiring opportunities might never even leak out to Y. Of course, it is not easy to monopolize labour-market information; and some other actor, for example, government, might be actively seeking to place Y in jobs from which this group of outsiders has been excluded. However, if the skills needed to learn a desired job can only be taught by incumbents, and they want to teach none but their own kind, Y may never acquire the proficiencies needed to retain the job.

This comparison suggests that social capital derives from the relations within and between groups: inter-group differences in access to social capital may not reflect endogenous disparities in social structures, but rather the impact of one group's successful mobilization of scarce resources on another. True, social capital is the product of embeddedness, just as Portes notes (1994, p. 16). But the same social relations that embed economic behaviour in an ethnic community and thereby enhance the ease and efficiency of economic exchanges among community members implicitly restrict outsiders. Indeed, the more embedded are ethnic economic actors in dense, many-sided relations, the stronger the mechanisms for excluding outsiders and the greater the motivations for doing so.

In this article, I seek to shed light on this other, less benevolent, side to the interplay of ethnicity and the economy through a case-study of white, black, and Korean contractors in New York's construc-
tion industry. Construction is an ideal setting. Few other industries could provide a better example of embeddedness, as construction businesses live and die on their ongoing relationships to clients, key workers, sub- or general-contractors, suppliers and a host of other actors. Construction, with its competitive structure and low capital to labour ratios, has also served as a time-honoured immigrant pathway into business. And in contrast to the many single group studies, the comparative framework of this article should allow us to see how social structures affect economic behaviour in inter and intra-ethnic settings.

Conflict and competition in the ‘new economic sociology’

Previous attempts to develop a sociological perspective on the economy founder on the rocks of its ‘overly socialized conception of man’. In its current incarnation, economic sociology has steered clear of the earlier emphasis on values and socialization, emphasizing instead ‘social organization and social relations... as a structure with history and continuity that give it an independent effect on the functioning of economic systems’ (Coleman 1988, p. S97). Notwithstanding its undeniable strength, this brand of economic sociology threatens to produce an ‘overly social conception of man’. While *homo societas* may be preferable to *homo economicus*, an undue emphasis on cooperation, conformity and solidarity is a source of analytical weakness, as sociology has learned in the past.

Granovetter on ties - weak, strong, embedded

Granovetter’s (1973) delightfully ironic article, ‘The strength of weak ties’, now stands out as one of the pioneering contributions to the new economic sociology. Though startling, Granovetter’s point was also strikingly simple: persons with whom one has strong ties might be more motivated to provide job information, but those with whom one has weak ties might be more likely to have access to job information that one does not already have. However, knowing that weak ties were useful did not explain why persons with job information helped people to whom they were weakly connected. As Granovetter (1974) noted, weak ties were not always the most helpful: job-seekers who needed employment badly were more likely to rely on strong ties; weak ties were for those who were adequately situated and could bide their time until the right vacancy came around.

With Granovetter’s (1985) celebrated article on ‘economic embeddedness’ we are a long way from ‘weak ties’. Here we learn that economic actors need to resolve problems of trust and reliability, for which reliance on the passing acquaintances and chance encounters that feature so prominently in the weak ties argument are unlikely to do. Instead, rational individuals are concerned with the ‘identity and past relations of individual transactors’, knowledge ascertained as ‘a function of whether they or their own contacts have had satisfactory dealings with the other’ (Granovetter 1985, p. 491). Consequently, embeddedness involves strong, rather than weak, ties, as can be readily discerned from the case material that Granovetter presents, for example, Eccles’ study of construction contracting. I run little, if any, risk by making casual mention that my firm is hiring, especially if I have no intention of recommending persons who, a step or two away from my acquaintance, will utilize the information I disclose (Granovetter’s case no. 11 in *Getting a Job*). But the risk factor is quite different when, as a general contractor, I engage a subcontractor, since now I am concerned about performance, always an uncertainty given the unique characteristics of each construction job and the vagaries — weather, materials, labour quality — that affect satisfactory completion. Likewise, the contractor will be no less concerned about me, since he or she will have outlays of cash before ever getting reimbursed, and knows full well that in this business collection is by no means guaranteed.

These considerations lead contractors and their subcontractors to develop continuing relationships, rather than go into the market to solicit fresh bids each time a new job arises. Out of continuing interaction emerges something else — ‘an overlay of social relations on what may begin in purely economic transactions’ (Granovetter 1985, p. 499). Sociability and membership in an industry with ‘dense social networks’ (Granovetter 1985, p. 507) are eased when actors share other salient characteristics, which could be ethnic or class. While this system works nicely for members of the club, what about new actors who not only lack track records, but do not possess the other characteristics on which membership is based? Uncertainty will disincline established firms from dealing with neophytes. If established firms not only prefer known quantities, but interactions with parties with whom they have an affinity and which generate personal satisfaction, then neophytes who are also outsiders are to be avoided. And if ‘embeddedness of... relations in a *community* of construction personnel generate standards of behaviour’ that discourage malfeasance (Granovetter 1985, p. 498, italics added), one might expect the opposite, namely, increased opportunism and predatory behaviour, when transactions occur with outsiders whose racial, ethnic or gender characteristics further push beyond ‘the community of [industry] personnel’.

Coleman on ‘social capital’

For Coleman, ‘social capital’ refers to the advantages gained from relations of mutual trust and collaboration, exemplified in his 1988
article which examines 'the role of social capital the transmission of human capital'. Though widely cited, this article only illustrates the indirect effects of social capital on the development of human capital; a still more compelling case would show how social capital is, in fact, constitutive of human capital. The classic literature on internal labour markets (Doeringer and Piore 1971), for example, tells us that interaction within informal work groups provides the medium within which learning actually takes place. But this instance, where social and human capital are virtually indivisible, shows that the same aspect of social structure that generates social capital in Coleman's account – namely social closure – also defines the groups that enjoy access to the benefits that social capital can generate. While learning through interaction requires the cooperation of experienced workers, incumbents tend to worry that neophytes, once trained, will compete with the experienced workers who instructed them. Recruiting workers who resemble incumbents, or better still, are connected to them through kin or friendship ties, quells these anxieties and elicits the cooperation of experienced workers. Since shop floor learning cannot occur outside of a social context, and productivity is often a group characteristic, the ethnic, gender or religious preferences of incumbents are often sufficient to enlist employers in the task of excluding outsiders.

Thus, to the extent that social capital is the property of such subgroups within the society, as the religious or ethnic communities on which Coleman focuses, it may play a rather different role in the transmission of human capital than he suggests. In these cases, social structure such as closure or network multiplexity may generate social capital for insiders while also excluding outsiders from the resources that social capital generates.

**Portes on immigrant communities and social capital**

In his recent contributions Portes seeks to show how 'social structure constrains, supports, or derailed individual goal-seeking behaviour' (Portes and Sensenbrenner 1993, p. 1321), expanding Granovetter's concept of embeddedness to provide concrete predictions, and modifying Coleman's view of social capital to highlight its negative effects. Yet, in both his positive and negative appreciations of social capital, Portes keeps the focus on intra-ethnic relations. To illustrate the positive effects of social capital he offers thumbnail sketches of Miami's Cuban ethnic enclave, and the newer, less well-known, ethnic economy established by Dominicans in northern Manhattan. These vignettes teach the lesson that economic encapsulation breeds community resources: the likelihood of the expectations that create 'enforceable trust' 'is conditioned by the extent to which the community is the sole or principal source of rewards' (Portes and Sensenbrenner 1993, p. 1336). But baneful effects flow from a community's isolation from the mainstream, in the Cuban case, 'fierce regimentation and limited contacts with the outside world' (Portes and Sensenbrenner 1993, p. 1340). Likewise, ethnic solidarity is a two-edged sword, generating informal resources for economic mobility among some immigrant groups, as when preferences for dealings with co-ethnics guide economic transactions, but hindering advancement, as when levelling norms in lower-class groups keep members aspiring for upward mobility in their place.

Thus, Portes places the accent on groups' endogenous characteristics of groups and their importance for economic action. This view converges neatly with his earlier view of ethnic enclaves, conceptualized as largely self-sufficient economies which generate most of the inputs and outputs they need internally (Wilson and Martin 1982). 'Work, education, and access to...a variety of services can be found without leaving the bounds of the ethnic economy', wrote Portes and Manning (1986) in an attempt to specify the defining characteristics of the enclave. 'This institutional completeness is what enables new immigrants to move ahead economically...'

The affinity between these two conceptualizations should sensitize us to what is being left out. Most immigrant economies are highly specialized in a few industries or business lines where ethnic firms enjoy competitive advantages (see Waldinger 1993). Because confinement to the ethnic community limits the potential for growth, interdependence on outsiders is the fate of most immigrant entrepreneurs. That fate implies vulnerability to the resources that outsiders' social capital can generate. The boycott waged by black protesters against Korean storeowners in 1990 is only one example of how one group's capacity to effect social closure limits the opportunities of another. Koreans learned the same lesson from Jewish and Italian wholesalers, who unsuccessfully tried to force Koreans to buy at above-market prices (see Min 1991). Portes and Stepick's (1993) own book on Miami provides yet another illustration, in its discussion of its impact of Cuban economic success on the opportunities for Miami's blacks.

**Conclusion**

The embeddedness of economic action in ethnic communities generates social capital because the social connections within those communities help resolve the uncertainties involved in economic exchange. As Zucker (1986) notes, membership in an ethnic community serves as an index of trust in an economic transaction, telling actors that one can rely on another. The web of contacts within a community works in the same direction: the history of prior exchanges with members of an ethnic network provides a baseline against which future behaviour
can be assessed. Since relations among co-ethnics are likely to be many-sided rather than specialized, community effects go beyond their informational value, engendering both codes of conduct and the mechanisms for sanctioning those who violate norms.

The trust extended from one member of a community to another is both efficient and efficacious; however it is not available to everyone. Outsiders lack the traits, histories and relational ties conducive to collaboration or trust; on these grounds alone, as Hardin (1993) argues, rational considerations lead insiders towards economic exchanges with their own. Inter-ethnic competition amplifies and alters the motivations towards exclusion.

While the social structures of ethnic communities breed a tendency towards encapsulation, in ethnic economies, niches or neighbourhoods, boundary maintenance is problematic. The local ethnic market is usually too small, and the demands of ethnic consumers also too weak, to provide jobs for more than a fraction of their co-ethnics; hence, employment invariably spills over into the general economy, where newcomers jostle for resources with other, identifiably different, new arrivals. Newcomers are also incorporated into areas where earlier immigrants moved up through economic specialization, establishing ethnic niches to which they or their descendants often remain strongly attached.

Moreover, self-segregating processes are generally weak: possession of specific skills no longer sorts newcomers among occupations as it did earlier (see Bodnar 1985); and, by definition, the competitive industries in which immigrants and other minorities tend to cluster pose low barriers to the entry of newcomers. While the influx of an ethnically heterogeneous labour force thus leads to 'niche overlap' (Barth 1969; Olzak 1992), the search for better jobs leads outsiders into conflict with established groups over the specializations that the latter have long controlled. Consequently, immigrants and ethnic groups find themselves implicated in a segmented system, in which one group's ability to mobilize resources through social structures serves as a strategy for limiting another group's chances for advancement. Under these conditions, the embeddedness of economic life may yield a particularly negative effect, generating both pressures and motivation to exclude outsiders, as we shall shortly see.

**Background and procedure**

The literature on ethnic enterprise began with the question of why some visibly identifiable and stigmatized groups make it through business and others do not (Light 1972). This article returns to the comparative focus of the earlier classic studies and their interests in black/immigrant differences through a case-study of white, black and Korean construction contractors. Construction is an immigrant concentration: 46 per cent of all New York's construction personnel in 1990 were foreign-born; the same proportion held among those working in construction on their own account. Blacks and Koreans, like other Asians, are underrepresented in construction. For blacks, underrepresentation reflects past and continuing tendencies towards discrimination, matters to be discussed in the pages that follow (see also Waldinger and Bailey 1991). Discrimination plays a part in the Korean story too, but the recency of the community is probably the most important factor behind its limited penetration into the industry. While the Korean and general Asian presence in the industry and among its self-employed grew substantially between 1980 and 1990, neither Koreans nor any other Asian group have recorded the success that they have achieved in other business lines – which makes the comparison to blacks all the more interesting.

This article is principally based on interviews conducted in late 1990 and early 1991 with fifty construction contractors, of which twenty-five were black, thirteen were Korean, and twelve were white. The interviews with white and black contractors were generated from lists of 'minority' and 'small' business enterprises [MBE and SBE] maintained by two public construction agencies. Given the vast differences between white and black construction firms – with the former likely to be larger and distributed over a wider range of specializations – this procedure promised to generate white and black firms that would be more or less comparable. In selecting among firms doing at least some public work, I was concerned that I would generate a skewed sample of black firms, eliminating those with private sector specializations only. But interviews with key informants, attendance at a meeting of a 'black worker/black contractors association', as well as discussions with respondents made it possible to outline the network of black contractors. By adding referrals to lists obtained from the agencies, it was possible to ensure that our interviews sampled from the full range of black contractors and their specializations. Since no Korean contractors had been certified as MBEs, I instead drew my sample from the 1991 New York Korean Business Directory, which listed 138 Korean construction firms.

The interviews were open-ended, typically lasting from ninety minutes to three hours. In the interviews I sought to obtain information about the contractors' career histories; the business history; linkages with and the composition of customers, suppliers, related firms (general contractors or sub-contractors, depending on the case); financing; and labour, including questions dealing with its composition, recruitment and labour relations. I personally interviewed twelve black contractors, three white contractors and three Korean contractors; a white graduate student conducted the remaining interviews with the white and black
contractors; and a Korean graduate student conducted the remaining interviews with the Korean contractors.

Capital and construction

As in other sectors where immigrant and ethnic businesses thrive (Aldrich and Waldinger 1990), the persistently small size of construction firms and the industry's segmentation provide fertile terrain for fledgling entrepreneurs. 'I went into business on a shoestring,' recounted a black electrician. 'If you wait until you get sufficient money, you won't ever do it.' A recently established Korean contractor finds himself 'mainly doing repair work and service work, sometimes new construction, alteration. When somebody opens a store, I put up lights, the outlets, power for the machines and the refrigerator.' Two Greek brothers went out on their own in 1985, doing many $25 and $50 jobs. As one of them put it: 'We did anything...'

Thus contractors can get started with little, possibly no physical capital; but not so for either social or human capital. Not only are the latter two forms of capital more decisive for the neophytes, they play a crucial role in gaining access to physical capital, which becomes imperative for those entrepreneurs who hang on long enough to expand their operations. Construction skills are socially generated: neophytes learn the proficiencies they need on the job through interaction with experienced workers:

'I fell in with a group of guys,' noted a black sheetmetal contractor, looking back on his entry into the trade. 'They took me for what I was. I helped them, they were thankful for it. When they needed help [to finish the job] I couldn't help them if I didn't know. So I had to learn. Working together they found out I wasn't an animal - just another guy with a wife and baby.'

Getting customers is akin to eliciting the cooperation of skilled workers, in that it also depends on trust. Any one job is likely to differ significantly from the next, making price no more, possibly less, important than getting the work done right and on time. Since construction is 'a very small world,' the key factor is getting 'a good rep in the street'. Integration into the industry provides the framework out of which reputation is born, and which in turn unlocks the door to clients, as well as to the myriad of other actors to which a contractor is inextricably bound (Gallo 1983). 'It's very important to know these people,' a general contractor explained. 'You have to be somebody who knows the market.'

Thus, established players operate in a framework where prior dealings provide the basis for risk-reduction. Just as developers or general contractors seek subcontractors with a track record, contractors are no less concerned about the reputations of the people who engage their services. 'If you're working private for people you know, you get paid,' explained one contractor. 'If you're working for people you don't know, you're going to get killed.' Developers may insist that contractors be bonded, which provides insurance in the event of non-performance or non-payment to companies that have furnished suppliers. But 'once owners and contractors are familiar with you they don't want a bond,' as one black contractor noted in an observation that earlier research supports (Glover 1977, pp. 57–59). 'The question is: are you qualified to finish the job? Once they think your head is stabilized and you know what you're doing, they waive the bond.' Suppliers operate on similar principles, holding newcomers on a tight rein, while allowing ample leeway for customers 'with a 25-year record of paying their bills'.

In the end, actors in as fragmented an industry as construction have no choice but to be interdependent. That interdependency provides a framework for establishing confidence and assessing reliability, making 'New York a small town [where] good and bad news travel fast'. However, it also yields a systematic bias for known players, making it difficult for outsiders to gain access to the social relations of trust.

Social capital in the transmission of human capital

White contractors

Rephrased in terms of the debate with which this article began, a construction business grows through the development of social capital. Insertion into the industry and the networks that hold it together are themselves a mechanism for the accumulation of social capital. Because the relevant social capital is most likely to be a property of those already in the industry or with connections to it, kinship figured prominently in the accounts that white contractors gave of the origins and operations of their firms. Fathers and sons were active in most of the white-owned firms that we interviewed, including two which had been handed down across three generations. Some father-son pairs were classic cases of encapsulation in the ethnic networks that bind the industry, as in the case of an Italian plumber, who had inherited the business from his father, who in turn had gone into plumbing under his uncle's sponsorship. Those with an engineering background were somewhat more likely to start without any direct tie to the industry, though not in every instance, and were also likely to bring their sons into the firm later on. Of course, not every white contractor could lay
claim to a relative, or even a sponsoring contact in the industry; notwithstanding the importance of inside connections, the structural characteristics of the industry ensure that it remains permeable to outsiders, especially those sharing other, relevant characteristics with the industry’s dominant groups. But the interviews show that however my respondents entered construction, prior employment provided an ideal platform for starting out on one’s own.

Black contractors

Thus, the typical white contractor began from a milieu connected to, if not ensconced in, the industry and out of which know-how was born and contacts were generated. Black builders, by contrast, were outsiders, who had to acquire skills and knowledge without the social capital that the whites enjoyed. Only one of the US-born contractors I interviewed had followed his father into the trade and none of the others had close relatives in construction. Whereas white neophytes entered familiar terrain, surrounded by familiar, when not friendly, faces, the black contractors found out that going into construction meant learning an entirely new world:

When I got in I saw white people as a mass. No Jews, Catholics, Germans, etc. One monolithic mass. When I came in I discovered different. I heard ‘You Wop, Jew-bastard,’ etc. All kinds of stuff happening. It was crazy. I had no idea.

Moreover, the same social capital that facilitated the transmission of human capital among whites, hindered skill acquisition among blacks. ‘What the hell was a black guy doing in a father-son union like Local 3? . . . Those guys . . . I had one job where the guys walked off the job. I walked into the shanty and the guys said if I would work with them they’d walk off.’ These traditionally discriminatory practices had the greatest effect on those who moved up the time-honoured way, through the trades. Others, possessing more education, began from technical or managerial jobs, but even here it was the rare interview that did not resound with complaints of discrimination.

However, not all blacks confronted the same barriers to the acquisition of skill; as it turned out, the conditions under which black contractors learned the proficiencies they needed had a great deal to do with where they learned their skills. Though I began this study looking for African Americans, I stumbled across a large concentration of black immigrant contractors from the Caribbean. In contrast to African Americans, whose employment in New York’s construction industry has been receding since 1970, immigrant blacks have done significantly better. In 1990 black immigrant construction employment stood at 1.35 on an index of representation where a score of 1 was equal to the group’s share of the total economy; by contrast, African Americans scored only .61. The situation among contractors resembled the pattern for the industry overall. Fourteen of the twenty-five black contractors interviewed for this study had been born in the Caribbean, a distribution that squared with the perception of those respondents who were long familiar with the industry and its ways. ‘All of the big black mechanical contractors are Caribbean,’ reported a seasoned official with a public authority. ‘Over there they’re trained in trades.’ In fact, almost half of the black-owned firms registered with his agency as MBEs were run by Caribbeans. The director of a minority business association told me that ‘Caribbean blacks are present to a much greater extent than natives. I deal with a lot of Caribbean people’.

The Caribbean advantage stemmed from the ways in which the social structure and economic structures of the islands expanded the opportunities for relevant skill acquisition. To some extent, the Caribbeans benefited from exposure to a rural environment in which many of the skills needed for construction work were ‘naturally’ acquired in the course of growing up. Other contractors learned the traditional way, through apprenticeship, even though they had only received the rudiments of formal education. Opportunities for employment in construction-related jobs, also encouraged the Caribbeans to invest in skills; those with whom I spoke had had experience in local building, the oil fields, shipyards, and the bauxite industry.

Korean contractors

Thus, the milieu in which the West Indians originated provided access to the contacts and interactional settings where construction skills could be learned. So, too, for the Koreans, though with a difference that reflected the distinctive class characteristics of Korean immigration. As with other Asian immigrants, Koreans arrive in the United States with high levels of skills, but many have found that there are few appropriate outlets for their prior training and that the small business industries in which so many Koreans have concentrated make no use of their pre-migration skills. Construction is an exception, since skills and experience acquired prior to migration can be transferred to the United States. Indeed, many of the Koreans active in the industry not only arrive with high levels of technical proficiency, but bring ample technical training as well, often acquired through years of work abroad. The great majority of the Korean contractors that we interviewed held a first degree, usually in engineering or architecture; some had also received advanced schooling in the US. All but one had had construction experience, usually at high levels. Several had owned their own
companies; some had worked for giants like Daewoo or Hyundai or Bechtel; others had worked in the Middle East. One contractor boasted of three years’ experience working for Daewoo and Hyundai, each, where he had managed and directed hundreds of construction workers.

To be sure, the Koreans encountered problems in transferring their human capital to a US setting, some of which their Caribbean counterparts could more easily circumvent. Language was a big problem, to which the many engineers running dry-cleaning or grocery stores could certainly testify, but not an insuperable difficulty:

When I started my English was very poor. I was scared to pick up the phone. I couldn’t speak a word of English. In Korea, you learn English for ten years, but not for conversation, rather grammar, writing, comprehension. I got over my problems within three months. Based on my vocabulary and comprehension, my English-speaking ability improved quickly. Within six months I could communicate with people.

Similarly, contractors in the mechanical trades needed to be licensed, but as one Korean banker pointed out ‘electricians may have a Korean licence, but can’t get it here’. This banker maintained that ‘Korean electricians or plumbers in New York are working for [American] licensed people’. Architects and engineers had similar problems, although those who had received some US schooling or had worked for US firms were likely to have obtained the necessary credentials. All these obstacles notwithstanding, the key point is that Koreans came with skills that prepared them for business ownership. Favourable market conditions, as we shall now see, helped them make a rapid transition into entrepreneurship.

Social capital and the market

Access to information ranks among the advantages of established firms. Though contractors learn about new jobs and possible contracts through formal channels, the importance of reputation and a preference for maintaining ongoing relationships means that information may not always leak out of private channels. Neophytes are constantly struggling to get business; by contrast, the more established firms live off the reputations and contacts developed over the years. ‘We get customers almost exclusively through referrals or from recalls from old customers,’ reported the owner of the oldest firm we visited. ‘All the business comes to us — we never send out salesmen trying to drum up business, or solicit any business.’

Reputation reduced the need to look for work or bid for jobs, better still, were ongoing relationships to those actors responsible for initiating work, what our respondents referred to as ‘the owner-builder network’. ‘We have developed several key relationships with larger entities,’ noted one contractor, ‘which provide us with steady work which we do not have to seek out.’

The widespread preference for transactions with contractors that boast track records and enjoy ongoing relationships makes entry problematic for untested entities. The liabilities of newness weigh heaviest on neophytes who are also outsiders and lack the ethnic traits that established parties might look for as proxies of trust, reliability or simple membership in the occupational community. One black entrepreneur recounted:

Had I been a white electrical contractor, I would have walked into the supply house and they would have said, there’s this association. Now if I walk into a supply house they assume that I’m a homeowner or a small guy. They don’t know me. People don’t know who you are. It’s hard to help someone you don’t know.

Market factors make it particularly hard for black builders to develop the relevant occupational identity. While the demand for contractors’ services comes from property owners, disproportionately few blacks own property of any kind, let alone engage in the development activities that comprise the bread and butter of most contractors’ work. Consequently, black construction entrepreneurs must go outside their communities to find a customer base; practically speaking, this entails confronting a white clientele that may be distrustful, when not actively hostile. Those black contractors who went into business with a history in the industry could trade on their track records or contacts, just like the whites. ‘I diversified through word of mouth,’ recounted an African-American electrician. ‘I was known in the industry for being one of the few black supervisors. Lots of people knew me from that.’ But even the most experienced black contractors found that the problems of effecting relationships to white general contractors and developers, combined with the greater opportunity in the public sector, led them to shy away from private work. Whites enjoyed ‘the golf course advantage’, as one black bricklayer put it; not enjoying this asset, many black contractors instead sought public jobs. ‘I think that the reason I haven’t taken the next step — to having steady big contracts with X — is because I’m not in the social circles where those kinds of deals are made,’ noted one of the larger black builders we interviewed. ‘I can’t go play golf or go on boats with people... I don’t have this kind of entertainment to offer...’ A mechanical contractor made a similar point, commenting that ‘I’m not good at politics, or being a social
butterfly, networking, lunches, etc… I never found time for this, so I gravitated towards the public sector.

Not only did black contractors feel constrained from pursuing the personal relationships with the ‘owner-builder network’ that their white counterparts cultivated, they also found that transactions with larger, white entities were unlikely to evolve into stable, mutually beneficial relationships. On the one hand, black contractors found it hard to get recognition as regular players, except in those fields where larger white firms needed to engage them to fulfill affirmative-action guidelines. A West Indian contractor, who began working with one of the country’s largest construction firms in the mid-1970s, told me:

We built a good name with ABC and since then have been doing a lot of ABC’s work. We get a particular job from ABC in an area where they need a minority contractor and where someone in that area knows us. If there is not a job that does not bind ABC to a minority contractor to some degree, I won’t get it.

On the other hand, private work entailed greater exposure to opportunistic or predatory actions by the larger, richer firms that provided the work. With private sector jobs came collection problems, as noted by a Haitian electrician who complained that ‘GCs [General Contractors] were failing to pay me and I didn’t have the money, time, or energy to chase them in court.’ Though whites had similar concerns – ‘it only takes one SOB to put you out of business,’ noted an Italian American – blacks felt themselves to be still more exposed. ‘This industry is tough for white people,’ complained a black electrician with more than twenty years’ experience in running his own business. ‘I can’t begin to describe what it’s like for blacks.

Concerned about ‘private people [who] declare bankruptcy and just don’t pay you,’ most black contractors chose the path opted by a Trinidadian contractor who prefers ‘to do public work. If you have patience and the funds to keep you going, you eventually get paid.’ Minority contracting goals, and in some instances, continued set-asides, provided white construction managers and general contractors with strong incentives to use minority firms. While levelling the playing-field for some minority contractors (and their smaller white counterparts as well), government’s push to increase minority participation often yields a perversely negative effect, enticing minority neophytes who lack the resources and experience to succeed on the job. As one project manager for a public agency explained:

The problem is: should we let them do a job that’s too big for them to do? What are the realistic expectations? A prime [contractor] goes to them and says “you’re on the list.” They say, “sure I’ll do it”. Then the guy doesn’t have enough money to do the job. The agency is not very hard on MBEs in terms of saying “this is too big for you”. We end up giving them contracts that you wouldn’t give to a non-MBE.

Thus, the difficulties in effecting stable ties to larger, white entities, coupled with the liabilities of newness and skill deficiencies, have moved black contractors to a dependent niche in government work. While affirmative-action provisions encourage firms doing public-sector work to use minority contractors, they also inflate demand beyond the carrying capacity of many smaller, black firms. Korean firms, by contrast, did no public work. A Korean official with an American bank in Flushing, New York’s de facto Koreatown, explained that:

Koreans feel that they can’t qualify for public bids. They don’t have the experience and hesitate to compete with these jobs. And they’re not open to get more information about public work because of the language barrier. They’re not familiar with the process of fulfilling the documentation required to qualify and are less likely to become an MBE. They’re also trying to avoid union problems.

It is also the case, however, that the Korean contractors had less need for public work, benefiting from the burgeoning of New York’s middle-class Asian populations. Fellow Koreans provided an important source of work: one electrician, for example, told me that he ‘mainly gets business through ads, Korean newspapers and also the Korean business directory’. Contractors also benefited from the ties with the broader Asian community, as in the instance of one contractor who had developed a business specializing in the needs of Indian entrepreneurs, branching out from building newsstands – the most visible Indian business niche – to store and home repair jobs that he got through recommendations from his old customers. Capital flows from Taiwan and Hong Kong spurred new construction in the Flushing area of Queens and that building boom further helped the emerging group of Korean contractors. Most contractors did work for white customers, but only two depended on a mainly white clientele. All the usual factors – deficiencies with respect to language, reputation and familiarity with clients’ preferences – made it hard to build up a business among whites. But like their black counterparts, the Korean contractors found that business dealings with white customers and white-owned entities led them on to perilous terrain:

White clients sue Korean contractors intentionally. They take advantage of the situation. Let’s say 20 per cent of the balance is left behind. Whites sue over a defective problem. Contractors who don’t
know are scared. They say "what am I supposed to do?" They see a lawyer, whom they have to pay. They get further scared. They try to forget about it. Or they negotiate and give back 10 per cent. You keep on giving back 10 per cent and you go right out of business. In my case I don't let customers push me around. Fight to the end. If I give up, I have to give up everything.

Thus, the growth of New York's middle-class Asian community spurred the development of a Korean construction sector in two different ways. First, the prevalence of Asian property ownership created the ethnic demand for construction services, lacking in black communities. Second, ties with the ethnic clientele made this a protected market. On the one hand, Korean clients were less likely to engage in the type of opportunistic or predatory actions described in the quote above. On the other hand, the social organization of the Korean community helped to connect contractors to their clientele. Information flowed through ethnic channels, both formal, like Korean television and newspapers, as well as informal. Moreover, the contractors were highly integrated into the networks and organizations that spanned their communities, increasing their visibility to potential customers and their exposure to relevant information. Contractors belonged to Korean alumni associations, the marine corps association, social clubs and rotating credit associations; these affiliations did not necessarily generate business, but none the less provided a framework for establishing and identifying reputations.

Capitalizing on relations with labour

The pace of construction waxes and wanes with the business cycle and the industry's volatility weakens workers' attachment to the firm. Having little control over the broader forces of supply and demand, contractors maintain a floating work crew. Nevertheless they strive to retain a core of key journeymen, who know the types of jobs in which firms specialize and have the proficiencies that those specializations require. The importance of key workers also reflects the high level of skill and autonomy inherent in construction work. Each job is different from the next and the job has to be done to specifications. The ability to get the job done, on time and at the agreed-upon price determines the contractor's life or death.

For these reasons, the social structures that attach contractors to skilled workers and send reliable signals about characteristics of workers and firms comprise an important source of social capital. Explaining how he secured his labour, one white contractor stressed that he hires new employees through the workers whom he already knows 'because when someone works for you for a while you get to trust these guys'. The search for trust and for risk-reduction leads contractors to recruit through ethnic networks: ethnicity provides a rough-and-ready proxy of the characteristics which an employer is likely to be seeking; and ties among co-ethnic workers powerfully influence a worker's behaviour on the job. Consequently, network recruitment reproduces the characteristics of the existing workforce.

While network hiring has historically yielded minority exclusion from construction jobs the possibility that minority-owned firms would hire and train minority workers lies at the heart of the case for immigrant and minority business development. Black construction contractors also rely on ethnic contacts to recruit their key workers. A Haitian general contractor reported that he gets new workers through his existing hires, a practice that maintains a 'tight group'. At the time I interviewed him, a Trinidadian had fifty-four workers on the payroll, of whom only three were white. A black plumbing contractor said that he employs 'ten to twelve guys who've been with me for the last twenty years and I have another twenty-five to thirty who fluctuate. All black. A core of guys whom I've trained. Some of them have fathers who worked for me'.

Black contractors: the limits of ethnic resources

While black contractors had strong motivation to use networks as a preferred source for their key workers, they were not always free to do so. Ethnic divisions within New York's increasingly heterogeneous black population and, in particular, the African-American/Caribbean divide, diminished the potential for ethnic solidarity. Though opinions differed on the extent of the Caribbean presence and the issue was often hotly debated ('Bullshit!' was how one black electrician responded when we asked whether Caribbeans are more likely to do well in the industry than native-born blacks), the interviews suggested that the immigrants are supplanting their native-born counterparts. 'Most of my black workers are Caribbeans,' reported a Trinidadian masonry contractor. 'Most of the black Americans are employed as labourers, not as tradesmen, unless they're guys who came from the South.' Similarly, a West Indian welder, with a large plant in the Crown Heights section of Brooklyn and a sizeable field operation told me that 'I hire a lot of people at the door. They're all foreign born except for the secretary and a few of the office help'. Though the welder admitted that 'I have no explanation for this', other respondents thought otherwise. 'Island boys are hard workers,' observed one of the city's largest, most reputable black builders, himself Brooklyn-born. 'They're aggressive. That's what it takes. And lots of islands have oil and sugar refineries. They work in plants and get experience. ' That opinion was widely held. 'The stronger contractors come from
the islands,' observed a white project manager for one of the public agencies, himself a former skilled tradesman: 'When I was with the fitters, the best workers came from the islands. I think these guys have much better training. And a longer tradition of skilled labour.' Others, like a contractor from one of the smaller Caribbean islands, who thought that 'the average black New Yorker doesn’t want to do this type of job', put the accent on motivation. 'If you pick up a guy from Bed Stuy – they don’t show up on Monday, want time off, and want you to loan them money.' 'My explanation of why so few native blacks?', asked one Bronx-born electrician with an office in the neighbourhood where he grew up. 'Crack. I’ve had several experiences of employing people who were strung out on dope.'

Beyond immigration’s segmenting, perhaps divisive, impact on New York’s black population, other factors circumscribed the degree to which black entrepreneurs could look to their communities as resources. The ties linking black contractors and workers were often too weak to engender loyalty, as one black bricklayer noted: 'There’s no guarantee that blacks will work better for you than anybody else. You’re looking for qualified workers – not asking for race, creed, or colour.' An electrician reported that he was '20 per cent minority. That’s all I want. I don’t want all minority: it’s not a good business. And black workers wouldn’t want to work for a black shop.'

The ethnic preferences of black workers and contractors aside, constraints on the supply of black workers, especially in the more skilled trades, compel black contractors to source labour from other groups. Since exclusionary mechanisms persist in full force, a fully skilled black labour force is still not in place. 'I don’t think I could get twenty blacks and Puerto Ricans to maintain my crews,' noted a long-time mechanical contractor. 'There are even some blacks who don’t want to work for black companies.' 'The bottom line,' as an older contractor from St. Vincent concluded, 'is that it is very difficult to get black electricians in New York.' Yet if black contractors often find themselves hiring whites as skilled labour, they are even more likely to recruit outsiders to fill their technical and supervisory positions. According to the director of a minority business association:

You show me a black company anywhere in the Northeast and I’ll show you an Asian engineer, architect and often an Asian controller. Many black companies have Asians working for them. The largest black excavating company, X, has an all-Asian technical staff. X can barely read or write, but he can excavate. He has surrounded himself with the people who have the technical know-how.

The impact of unions

The classic studies of ethnic business have focused on highly competitive industries where connections between a business and members of the ethnic community (either as customers or workers) provide an underlying structure to an otherwise unregulated arena. In construction, however, unions play an important structuring role. Given the complexity and volatility of construction work, the unions serve to organize the construction labour force in ways that the workings of informal ethnic networks cannot match.

If the unions organize and structure the labour force, providing access to a supply of skilled labour beyond the reach of the employers’ kin, ethnic or community networks, black contractors experience the advent of unionization with disproportionate force. Reliance on public work makes unionization a near inevitability for most black contractors. 'Once a job gets big, there are teamsters at the gate,' observed an affirmative action officer for one of the public agencies, with years of experience in the industry. 'They’ll turn you out and won’t let you bring in supplies or men if you’re non-union.' Labour’s vigilance means that black-owned firms, usually under-capitalized to begin with, 'must work on a smaller profit margin.' Unionization also forecloses certain options, since 'as a union contractor, you can’t do any neighbourhood work. You’re priced out of the market. Most importantly, black contractors go union before they are ready to handle the increased costs and administrative problems that accompany unionization.

Beyond its bottom line impact, unionization also constrains a contractor’s ability to directly shape and control the workforce – a matter of particular consequence for black contractors for reason of both firm size and race. The advent of unionization also curtails the contractor’s ability to manage the selection process. Reputation and a track record of providing near-continuous employment allow established contractors to gain control over their labour supply. Smaller, less established firms – a category into which the minority contractors are particularly likely to fall – cannot count on steady work, which means that they fall back on the union’s hiring hall as a source of labour. But recourse to referrals is a source of vulnerability. 'The best thing to do is to avoid the hiring hall,' noted a black mechanical contractor. 'Most of the labour going to the hiring hall is bad. The worst thing you can do is to go through the union.'

Moreover, few black contractors of any size and none of the union operators can avoid recourse to white workers and they often do so without hardship, notwithstanding the interethnic tensions that permeate the trade. 'You will always find a white worker who will work with you,' explained an experienced black contractor, 'because you’ll always find a guy who’ll put making a living above that kind of shit.'
None the less, the combination of third-party involvement in screening and racism among white craftworkers made control over the work force a particularly salient issue for blacks. A successful Haitian contractor reported severe difficulties in dealing with the union, whose workers ‘are white lower-middle class blue-collar with limited education: resentment is very high when they work for a black man who is clearly doing better than they are’. ‘As a black contractor,’ noted a black GC with an architectural background, ‘I have to be ready to factor in bad help from the union into my work more than a white contractor would.’

Koreans: ethnic resources as a strategic option

As with their white or black counterparts, ethnic ties between Korean contractors and the communities to which they are linked provide access to a reservoir of skilled labour. But the Koreans differ in two crucial respects. First, the structural characteristics of the Korean community increase the resources to which Koreans’ ethnic networks can connect. Second, the Koreans seem to use the networks in a more strategic way, preferring Koreans for key technical jobs while mobilizing immigrant outsiders for lower-skilled positions.

Korean contractors, as I have already noted, arrive with highly developed construction skills that facilitate their entry into the industry; the same is true of Korean workers. ‘There are so many people with experience in Saudi Arabia,’ noted one contractor. In general, Koreans have access to a cadre of highly trained technicians and mechanics, an asset that permits contractors to pursue an employment strategy that differs significantly from that of their black, or even white counterparts. One successful general contractor, with a Korean supervisor who had worked for Hyundai in Korea and Iraq, told me that ‘I don’t have any white employees, I don’t have to hire whites.’ He then explained his employment practices in these terms:

My staff is all Korean. I’m trying to make the best experience for them, giving them a chance. But even though they have Korean experience and outside experience in the Middle East, they don’t speak English well. After I hire them, within one year they start to speak English. This is a professional field. They know the professional terminology. They can pick up English words for technical terms quickly. I tell them: “I’ll give you a good chance. You’ll find out that you can speak good English in one year.” I also employ Koreans because they’re cheaper. I can pay less in salary and benefits. In my firm, I bid a job with a low price. That’s why I have a good chance. I can’t pay a nice salary and only provide limited health insurance.

At the same time, this contractor drew on a more diversified labour force – ‘Koreans, Turks, lots of Spanish’ – to fill the ranks of his manual labour force, who mainly did carpentry and demolition work. Depending on size, some variant of this strategy often appeared. One contractor told us that he hires Koreans as skilled workers, but that the ‘helpers are usually Spanish’. A second contractor, with a similarly mixed labour force explained that his Korean workers, who usually had five to six years’ experience, earned about $600 a week, whereas his lower-level black and Spanish-speaking workers made just over half that sum.

Conclusion

Few images can be more ideologically loaded that that of ethnic people getting ahead through business. Consequently, controversy over the meaning and significance of entrepreneurship in its various forms threatens to polarize the emerging scholarship on ethnic business, as can be seen from the recent exchanges between Bonacich (1993) and Waldinger (1993) or Portes and Jensen (1987) and Nee/Sanders (1987).

This piece is written in a different vein, more as a complement to, rather than a critique of, earlier research. As with other scholars, I would also underline the importance of ethnic social structures as facilitators of economic action. That view motivates the present case, since one would be hard pressed to imagine a context where social relations had a greater influence on economic behaviour than in construction.

Precisely because economy and ethnicity are so closely intertwined in construction, the case-study allows us to see where the earlier work, with its emphasis on the structural characteristics endogenous to the group, is incomplete. In this industry, the embeddedness of economic behaviour in ongoing social relations among a myriad of social actors impedes access to outsiders. Embeddedness contributes to the liabilities of newness that all neophytes encounter, breeding a preference for established players with track records. The convergence of economic and ethnic ties has a further baneful effect, since outsiders also fall outside those networks that define the industrial community.

Construction represents the quintessential ethnic niche: the ties among co-ethnic workers and owners provide the mechanisms whereby information is circulated, skills are obtained, and contacts acquired. Fearful that outsiders might undercut wages, skilled workers prefer to train co-ethnic neophytes whom they trust; anxious about the performance of semi-autonomous craftworkers, contractors hire the friends and relatives of their key workers; concerned that a contractor might not complete the job or may not finish it to specifications, developers, lenders and general contractors look for known entities with track
The ‘other side’ of embeddedness

records of successful dealings with others. Frequent interaction in this highly concentrated niche promotes a sense of group identity; since the niche is one of the salient traits that Italian, Irish and other white ethnic contractors and skilled workers share in common, it also becomes an interest that helps define who they are. Consequently, white ethnic contractors and skilled workers pay great attention to the boundaries that define the niche, and the characteristics of those who can and cannot cross those boundaries. Just as the niche helps identify ‘we-ness’, so it also serves as a mechanism for defining who we are not.

While African-American, Caribbean and Korean outsiders all experience these barriers in similar ways, they none the less differ in the adaptive strategies that they have pursued. African Americans appear to be most disadvantaged, in part because they have been the most exposed to the social closure that results from the mobilization of white ethnics’ social capital. By contrast, Caribbeans and Koreans entered the labour market in societies where racial domination played little or no role in labour market outcomes – a considerable asset, since construction skills are transferable from one society to another. As the earlier research would suggest, the effect of inter-group differences in social structure can also be detected among the construction contractors I studied. The Koreans appear to be the most embedded in ethnic networks, through which they secure jobs and skilled labour, though class factors play a role here as well and even the Koreans must reach out beyond the ethnic community for a clientele. By contrast, ethnic solidarity operates less powerfully among the black contractors, who are tied to a community where intra-ethnic diversity and internal competition have grown as a result of immigration. In the absence of an ethnic market, black entrepreneurs turn to the state, whose requirements and dependence on union labour expose black builders to risks from which their Korean counterparts are sheltered.

Of course, economic behaviour is not always as embedded in ongoing social relations as in construction and not every city is as conflictually multi-ethnic as New York. Nevertheless, if the characteristics of the case-study place it towards the polar end of the continuum, that is also the point – since how else are we to detect the ‘other side’ of embeddedness, and the difference that it makes?

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Notes

1. Data calculated from the 1990 Census of Population, Public Use Microdata Sample.
2. Calculated from the 1990 Census of Population, Public Use Microdata Samples.

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ROGER WALDINGER is Professor of Sociology at the University of California, Los Angeles.
ADDRESS: Department of Sociology, University of California, Los Angeles, 405 Hilgard Avenue, Los Angeles, CA 90095, USA.

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