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IMMIGRANT ENTERPRISE IN THE NEW YORK GARMENT INDUSTRY*

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Hispanic immigrants are revitalizing New York City's ailing garment industry by opening small, and largely unseen, factories. This paper analyzes the economic environment which has given rise to this immigrant enterpreneurship, and the business organization and industrial relations of the enterprises themselves. Through interviews with 96 Hispanic owners of garment factories, I reveal the advantages which the immigrant entrepreneurs have over more established garment factory owners in adapting to the marketplace and recruiting a reliable workforce. While the small immigrant firms look to an outsider like mere "sweatshops," they in fact provide a ladder for immigrant social mobility by passing on skills.

The papered-over windows on a string of small storefronts in Brooklyn tell the passerby that yet another street has succumbed to inner-city blight. What the windows conceal is that the stores have been put to new use. Inside, women are hunched over sewing machines. The floor is covered with piles of unfinished clothing parts. In the rear, clouds of steam envelope the only male worker in the shop as he lifts and shuts a heavy pressing machine. The shop's owners are two brothers from the Cibao, an agricultural region in the northern part of the Dominican Republic. Not so long ago they worked as pressers and pleaters for someone else. Now they employ 15 workers—all of them Dominican immigrants, most of them from the Cibao.

New York's garment industry, the heart of the city's manufacturing complex, has long been in decline. But in recent years, the industry has shown signs of renewed vigor. First came a wave of cheap labor from Latin America and other areas of the Third World. Then, immigrants began opening small factories themselves. They have succeeded where native owners have all too commonly failed.

Why has the garment industry proven to be a fertile terrain for these new immigrant entrepreneurs? Why do they succeed when many natives have succumbed to tough international competition? Immigrant enterprise in the U.S. garment industry and other economic fields is attracting growing scholarly attention. But most of the research has been too narrowly focussed on predisposing factors in the immigrants' home environment to tell us much about the niches in which immigrant business can grow and the organizational characteristics that favor the immigrant firm. Cultural analysis has emphasized those factors which either generate individualistic behavior, as in the case of Jews (Glazer, 1954) and Koreans (Kim, 1981) or else promote group solidarity, as in the case of early 20th-century Chinese and Japanese immigrants (Light, 1972). Other researchers have argued that small-business minorities tend to immigrate with the intention of returning to their home country, and stress the importance of this sojourning orientation and their solidaristic activities in the face of hostility in the host society (Bonacich, 1973: Bonacich and Modell, 1980).

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What the literature lacks is an analysis of the economic environment in which immigrant entrepreneurs function and the implications of this environment for the organization of the immigrant firm. Group solidarity or a willingness to take risks may be a necessary condition of entrepreneurship, but neither is a sufficient condition for business success. True, a penchant for risk-taking and a supply of cheap family or immigrant labor make starting a small business easier. But these factors count for little in industries where the small firm is inherently uneconomical. To grow and prosper the immigrant owner needs first a niche in which the small firm is viable, and second, access to ownership opportunities. The latter factor depends on the extent to which natives are also vying for entrepreneurial positions.

Conditions of entry, then, are affected by the structure of industry and the number of vacant business positions. But once the immigrant firm is in business, does it enjoy significant competitive advantages; and if so, why? Answering these questions is difficult in the absence of a broader understanding of the labor market for small businesses and of the organizational problems confronted by small firms in general. Any attempt to explain the growth of immigrant business should: (1) relate immigrants' informal resources to the demands of the economic environment; and (2) show how the deployment of these resources distinguishes immigrant firms from native-owned competitors.

In contrast to previous studies, this paper suggests that the demand for small business activities and the supply of existing and potential business owners interact to generate immigrant entrepreneurship. The demand for small business activities emanates from markets whose small size or susceptibility to flux and differentiation limit the potential for mass production and mass distribution. These conditions favor small-scale enterprise, thus lowering the entry barriers to immigrants with limited capital resoures. However, the influence of instability makes it difficult for firms to secure a strongly attached labor force. Consequently, small firms confront the chronic problem of organizing the labor force and developing a mechanism for the transmission and maintenance of skills.

On the supply side, the number and characteristics of groups vying for small business positions affect recruitment to enterpreneurship. Where the prestige of small business is low and the conditions of work poor and particularly demanding, competition with the native-born entrepreneur is likely to be minimized; hence, immigrants have easy access to business ownership. Moreover, since the labor market in small firms is generally unstructured, immigrants' connections to the broader immigrant community are a source of considerable advantage. Family and ethnic ties enable immigrant owners to mobilize, train, and maintain a stable labor force, and to keep labor costs down.[1]

This paper describes the business activities of Hispanic immigrants in New York City's garment industry in 1981 and 1982. The owners were immigrants from Latin America, mainly the Dominican Republic, Colombia, and Ecuador; most of them arrived in New York after 1965 when large-scale immigration to the United States resumed. The New York garment industry represents a critical case of ethnic enterprise because its market structure and technology typify the conditions under which small firms emerge. Moreover, two recent developments in the U.S. garment industry—a simultaneous increase in the importance of the largest firms and in the number of small ethnic firms—permit a case study of the relationship between ethnic enterprise and the workings of the broader economy.

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1. Alejandro Portes and his associates (Portes, 1981; Wilson and Martin, 1982; Wilson and Portes, 1980), suggest that ethnic entrepreneurial development takes place when immigrant firms are linked in related input, output, and labor markets through an "enclave economy." This hypothesis is essentially a *description* of the possible organization of the ethnic economy and is based, moreover, on indirect evidence. As *explanation*, the enclave hypothesis is lacking, since it begs the question of what it is about immigrants and/or the situation that they encounter which enables them to organize their economic activities in such a distinctive way.

This paper is divided into three sections. First, I discuss my method and data. Second, I look at patterns of business development. Finally, I analyze business organization and industrial relations.

METHOD AND DATA

This paper is based on a study I made of immigrants in New York City's garment industry from 1979 to 1982 (Waldinger, 1983). I observed industry trends over the three-year period; interviewed key informants in labor and management; searched for relevant literature in trade journals, government reports, and primary and secondary studies; and conducted several surveys of firms stratified by company function and ethnicity of the owner.

The data for this paper are taken from interviews I conducted in 1981 and 1982 with the owners of 96 small garment factories in New York City. My initial interest was in how immigrants were recruited and absorbed in the garment industry and I began with a sample of factory owners designed to be representative of the types of firms active in New York's garment industry. In the course of these interviews I discovered that a number of owners were immigrants themselves, and I realized that work organization in these immigrant-owned firms took a distinct form. As the interviews progressed I uncovered a pattern of emerging Hispanic immigrant enterpreneurship and then set out to discover the exact locations of factories owned by Hispanic immigrants. First I concentrated on three neighborhoods—Corona-Jackson Heights in Queens, Sunset Park in Brooklyn, and Washington Heights in upper Manhattan. All contained large Hispanic populations, and though each was distinctive in terms of national composition and settlement patterns, together they were representative of the Hispanic immigrant population. In each area I conducted a street census of all discernible garment factories, most of which were hidden in abandoned commercial space. I cross-checked my findings with listings in special reverse telephone books which organize phone subscribers by address: from these listings I obtained additional firms whose names suggested some activity related to the garment industry. I also added new firms to the list as I discovered them in the course of interviewing. This search of the three neighborhoods produced a list of 123 firms; initial inquiries reduced the number of firms likely to be owned by Hispanics to 101. Second, I searched the manufacturing districts in downtown Manhattan. Because the factories there are concentrated in multi-storied buildings, time constraints prohibited a street census. Instead, I asked key informants from the International Ladies' Garment Workers' Union (ILGWU) to pinpoint loft buildings in two areas where high concentrations of immigrant-owned firms were likely to be found—the central "garment center" and the "Broadway Corridor," a low-rent industrial district in lower Manhattan. I used reverse telephone books to compile a list of all of firms in the buildings chosen and then visited these loft-buildings to establish the ethnic identity (Hispanic/non-Hispanic) of all firms on the list. This search produced a list of 63 firms.

I was able to interview the owners of 96 of the total list of 161 firms which were probably or definitely owned by Hispanics. For the remaining 65 firms I either could not find the owner or the owner refused to be interviewed. Of the 96 owners I interviewed, 60 were from the Dominican Republic and the remaining 36 were from various other countries in Latin America, principally Colombia and Ecuador. All of the owners had immigrated to the United States since 1960. Unless the owner preferred to speak English, all the interviews were conducted in Spanish. I conducted 70 interviews; the rest were done by two bilingual research assistants. The interviews, which were done on the factory premises, were mainly open-ended and lasted from 20 minutes to an hour and a half. These interviews allowed me to gather data on company histories; patterns of recruitment and training; ethnic friendship and kinship connections; production practices and technology; links wtih other concerns; labor relations; and the occupational and migration experiences of the owners.

PATTERNS OF BUSINESS

Effects of Market Structure

The growth of large firms and the movement of manufacturing from its older sites in the Northeast to low-wage areas in the South and abroad have reshaped the face of U.S. industry. However, the U.S. garment industry remains largely a province of small firms—as it has been since the industry's emergence in the late 19th century. Moreover, New York City, the traditional center of designing and merchandising, still contains a sizeable number of garment manufacturing jobs—perhaps as many as three-fourths of the 120,000 jobs associated with the garment industry in the fall of 1983.[2] However, the New York garment industry now functions simply as a spot market, specializing in such unstable components of demand as short-lived style items and overruns on certain standard goods.

As New York's market position has changed, so has the structure of activity within the industry. New York firms have sought new ways of coping with uncertainty. Typically, they have done so by limiting in-house activities to designing and merchandising and engaging independent firms to do the actual production work on a contract basis. This fundamental distinction between contractors and manufacturers defines the basic contours of immigrant enterprise. While the resources needed to become a garment manufacturer are low compared with other sectors of U.S. industry, they are still beyond the reach of most immigrants. However, the division of labor between manufacturer and contractor spares the contractor the costs of raw materials as well as the risks of accumulating inventories. More importantly, this arrangement reduces the contractor's role to the tasks of recruiting and organizing labor—functions which the immigrant contractor, with direct connections to the labor force, is ideally suited to perform. Thus, of the 96 immigrant firms I studied, only five designed, manufactured, and sold clothing; the remaining 91 were engaged in contract work for manufacturers.

The instability involved in New York's role as a producer of style items and overruns creates further opportunities for small immigrant firms. Manufacturers, averse to taking risks, contract out all but their most crucial activities, such as designing or pattern-making. Sewing, pleating, and stitching, and textile-cutting operations, previously organized by manufacturers, are now largely contracted out to small firms. Immigrant contractors generally limit their activities to a single specialized activity: of the 96 firms, 82 confined their activities to either sewing, pleating and stitching, or textile cutting.

Even at the contracting level, patterns of entrepreneurship are circumscribed by constraints of capital, technology, and skill. Although opening a contracting factory to produce higher-priced dresses requires little capital, the Hispanic business owners I interviewed had yet to enter this line. Two factors had impeded them: the complexity involved in preparing quality textiles for sewing and the role that contractors play in providing technical advice to designers and production managers. Immigrants had no more success in penetrating the mass-production lines—coats, pants, undergarments, and jackets. These mass-produced garments are made in assembly-line fashion by operators who sew together individual parts of a garment; setting up this type of production line requires technical assistance, training, and costly, specialized machines, all of which deterred potential immigrant entrepreneurs.

Instead, the immigrant firms worked mainly on short-lived style products, a volatile sector of the industry where the barriers to entry were low. In these lines, almost any existing factory space—basements, storefronts, or apartments—would suffice. Low-cost space was still available in either the vacant factories of New York's manufacturing districts, where lofts in marginal

2. New York City Office of Economic Development, December 10, 1983; personal communication.

buildings were let on a monthly basis, or in the empty storefronts that lined the decaying commercial streets of the immigrant neighborhoods. Since the expensive computerized machinery used to manufacture standardized goods is ill-suited to constant changes in style and fabric, the immigrant firms keep out-of-date, operator-guided machines, inadequate for mass production operations but depreciated by previous use.

Specialization at the low-priced end of the market further contained both capital and labor investments. As in high-price fashion lines, variable product requirements sharply limit capital outlays. But where the high-fashion firms substitute costly labor for capital, the market position of the immigrant firms virtually eliminated the need for skilled labor, thus generating savings on both capital and labor. With few of the time-consuming and costly finishing operations that higher-priced firms undertake, the immigrant concerns could use higher-speed machines for which workers could be quickly trained. Similarly, many immigrant firms worked on cheap, synthetic materials which enabled them to use industrial hand irons rather than the heavier machine presses that were standard equipment among larger non-immigrant firms; some immigrant firms even shipped their products unpressed. In this way the immigrant firms minimized expenditure both on capital costs for steam-driven machine presses and other equipment, and, most importantly, on the skilled labor necessary to operate more complicated machinery.

These labor and capital requirements have shaped the pattern of mobility and entrepreneurship in the New York garment industry. Immigrants found entry to small contracting easy because the level of technology required no formal training: essential production and managerial skills could be obtained on the shop floor. The administrative and engineering requirements of small firms were also slight. Thus, three-fourths of the immigrant owners had moved into ownership from previous positions as skilled and semi-skilled workers in the garment industry.

Ethnic Succession

Small businesses in New York's garment industry were traditionally owned by Jewish and Italian immigrants and, later, by their children. Since the late 1960s, however, these two ethnic groups have been largely replaced by Hispanics because few new, non-immigrant firms have entered the field. Rapkin's (1962) study of the South Houston Industrial District in lower Manhattan found that garment and other low-wage manufacturing firms in the area were still thriving. Yet almost a quarter of these firms had been in existence for 20 years and only one-third had been operating for six years or less—an indication that stagnation had set in well before competitive pressures became as intense as they are today. Similarly, Glazer and Moynihan (1963) noted that the absence of children seeking to take over successful, family-owned manufacturing firms was pervasive among New York Jews, and only slightly less so among Italians.

Non-immigrant contractors in New York's garment industry were still dominated by Jewish and Italian owners in 1983. However, most of these firms were well-established and family-owned, and the prospects for succession by the the next generation or by unrelated members of the same ethnic group were generally poor. In 1981 the average non-immigrant contractor in the blouse and sportswear industries had been in business for 14 years. Stagnation in the ownership of other subindustries was even more pronounced. Zukin (1982) found that few new garment manufacturing firms had emerged in the South Houston Industrial District 20 years after Rapkin's study, even though the area still provided 7,000 garment jobs in 1982.

Thus, the withdrawal of established ethnic groups from entrepreneurial activities in the garment industry has created opportunities for immigrant entrepreneurs with few other prospects for mobility. Those established entrepreneurs who remained in the New York garment industry externalized their high-risk activities by contracting out work, thereby creating a demand for immigrant entrepreneurs.

The pleating industry offers an excellent example of this trend. There are more pleating and stitching operations in New York City than there are other garment operations, relative to the role of pleating and stitching in the garment industry. This is because demand is generated both locally and nationally. Local producers emphasize fashion which, in the mid-1970's, began to favor pleated dresses and skirts. Large, national firms also use New York City pleaters for particular runs or highly styled lines. As the demand for pleating increased, the established pleating manufacturers contracted the work out to immigrant-owned factories rather than invest in additional equipment. As a result, Dominican immigrants—who had earlier emerged as the dominant labor force group—became entrepreneurs and opened their own small factories in the late 1970s. The owners I interviewed were among these new entrepreneurs. Two Dominican cousins, for example, had immigrated to New York in the late 1970s. In 1980, when they were aged 18 and 20, they invested $16,000 to open a small pleating plant employing 13 people. Another owner immigrated from Santo Domingo in 1974 and joined forces with his brother-in-law to set up a small pleating shop employing four workers. After 13 months in business the pair moved into larger quarters, opened a sewing department, and added an additional 17 workers to their labor force.

In contrast to the established firms, which designed their own products and provided a large range of specialized services, the new immigrant firms were confined to a narrow range of pleating styles and bought their patterns from specialized makers. Similarly, the production process at the immigrant firms rested on simple, labor-intensive techniques: pleaters hand-folded a skirt into a cardboard form and passed it to a helper; the helper steamed the pleat and returned the skirt to the pleater; the pleater unfolded the skirt and sent it to a separate sewing facility.

The same market factors which facilitated immigrants' entry into pleating and stitching also left immigrant firms highly vulnerable to changes in consumer demand and the business cycle. By the spring of 1982, pleats were no longer fashionable and the market for the products which the immigrant firms produced collapsed. According to union officials, half of the firms owned by Dominicans in 1981 had gone out of business by the end of the second quarter of 1982. When I returned to firms I had earlier visited I found many had folded or radically declined in size.[3]

ORGANIZATION AND INDUSTRIAL RELATIONS

Organization and Recruitment

The organization of the immigrant firms combined social and economic roles. The typical business was a family enterprise in which spouses, siblings, or relatives shared ownership and managerial responsibilities. Family ownership expanded the pool of potential investors who could in turn drawn on wider kinship resources. One of the largest of the Hispanic firms I studied was founded by four brothers who collectively invested $48,000. On a more moderate scale, the five co-owners of a small family workshop pooled $6,000 in start-up funds—some of which they

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3. This observation is congruent with Chaney (1976), who found that the Colombian community in New York had given birth to few sustained organizations. Sassen-Koob (1979) noted that the Dominican community had generated more organizations, and hypothesized that the difference between the two communities may have been related to the different social origins of Dominican and Colombian immigrants to New York. According to Sassen-Koob, the Dominican population, more rural in origin than the largely urban Colombian group, had a greater need for a more elaborate and organized transition process and thus used traditional forms of association to respond to the novel needs posed by the new environment. Gurak and Kritz (1982), however, suggest that this picture of the Dominican immigrant population as a displaced peasantry is heavily overdrawn. On the other hand, many of the owners I interviewed did come from rural areas of the Dominican Republic, suggesting that among this portion of the Dominican population associations may indeed play the role that Sassen-Koob has suggested.

borrowed from relatives in South America. Family ownership was also compatible with a division of labor that allowed some family members to engage in business activity while others maintained outside employment, generating additional capital funds in the process. For example, in one small firm, two sisters ran the factory during the day. Their husbands continued to hold paying jobs elsewhere and put time into the family firm after hours.

While family ownership played a critical role in capitalization, it also provided a mechanism for mobilizing scarce managerial resources. One young Dominican owner said:

> My brother and I went into our parents' business when they were having trouble with management and bookkeeping. If we didn't help our parents, who don't speak English well enough to go uptown and get work from the manufacturers, they wouldn't be able to stay in business.

Family ownership facilitated the allocation of managerial tasks, allowing firms to save on overhead costs while resolving problems of trust and delegation. The most successful Hispanic firm I found divided responsibility among three brothers: one supervised production, one ran the office, and one took charge of sales. In a smaller firm owned and operated by an Ecuadorian couple and their children, the college-educated daughter managed relations with the "outside," obtaining work and bargaining over contract prices; her brother, who possessed only a high school education, managed the shipping and the flow of material within the plant; their mother supervised the operators; and the father performed a variety of odd jobs. Dividing managerial functions in this way—with one family member supervising internal operations while another managed relations with the "outside"—provided a crucial advantage, since relationships with manufacturers, truckers, and suppliers were volatile and required frequent face-to-face interaction.

Family members could also provide labor if the firm suffered a labor shortage or experienced production problems due to antiquated and poorly functioning equipment. Some of the smaller firms, which resembled workshops rather than factories, depended entirely on "unpaid" family labor. A Bolivian immigrant, her three daughters, and her niece furnished the entire labor force in one small neighborhood shop; in another small shop two Colombian sisters, their husbands, and a cousin produced 200 dresses a week. Regardless of size, however, most of the owners spent their days engaged in production, carrying out skilled jobs too costly for an employee to perform or completing special operations to which no one was specifically assigned. Family involvement furnished the organizational resources needed to adjust to sudden shifts in demand and meet deadlines in an industry where, as one owner put it, "most manufacturers prefer deliveries yesterday." Family members also allowed firms to maintain output despite irregularities in worker attendance and punctuality. One owner noted:

> When we began the business, we couldn't afford to hire enough workers or pay enough help. As a result, we did a good deal of the work ourselves, with help from our husbands. The factory used to operate seven days a week and there were times when we wouldn't finish the work until 2 A.M.

Even where the size of the firm made recruitment beyond the family necessary, the employment relationship was mediated by kinship, friendship, and ethnic networks. Firms recruited through the immigrant network, thus building on the social structures that connect immigrants to settlers and reproducing them within the workplace. Migration chains regularly linked a factory in New York City to a common hometown in the Dominican Republic. In one factory owned by three brothers from a small agricultural town in the Dominican Republic, all 18 employees were relatives and friends from the same town. In another factory, all but three of the 32 workers came from the same rural region in the Dominican Republic as the four brothers who owned the factory. The frequency with which family groups worked together reflected the strong link between work and social relationships. One large downtown factory employed three sisters, two married couples, and two different groups of cousins. A smaller neighborhood shop employed an aunt and her niece, and a grandmother, her daughter, and her great-niece. While all of the firms hired Hispanics exclusively, various nationality groups differed in their ability to mobilize informal networks. Recruitment through national or village networks was most pronounced among the Dominicans; Colombian, Ecuadorian, and other Latin immigrant owners, by contrast, were more likely to depend on walk-ins or workers attracted by "help-wanted" signs.[4]

Authority and Control

Network hiring served a dual function: it reduced risk and established authority. "There is no money for newspaper ads," explained the owner of one small immigrant firm; for her, as for others, recruiting friends, relatives, and hometown acquaintances was a cheap and efficient way to secure additional sources of labor. Hiring casual job-seekers or workers attracted by hand-written signs posted on factory buildings was also a costless means of recruiting. However, hiring "walk-ins"—a technique known in the personnel literature as "gate hiring"—also reduced the potential for control.

Network hiring enhanced the potential for control because movement into new positions was mediated by social relationships. Since sewing skills are transferrable from one factory to the next, factory owners generally face considerable risks in providing training. In the immigrant firms, by contrast, the importance of social ties reduced the risk. Immigrant firms which engaged in network recruitment hired workers whose characteristics were largely known, thus screening out unqualified or inappropriate recruits. One immigrant owner explained:

> I won't provide training to unknown workers who come in looking for a job. When I need somebody, I ask the workers to bring in a relative. That way one worker helps another; and I don't have to worry about training someone who will later go find work in another shop.

Network recruitment further strengthened firm-level attachment by redefining the employment exchange in terms of personal relationships and loyalties. Many firms systematically hired the newly arrived friends and relatives of workers already employed in the plant. This produced a strong sense of obligation among employees, as the following comments suggest:

> It's been a tradition to hire the relatives of our workers. We consider them our friends.
>
> We're always asked to give jobs to people who have just come over—that's the system here. We try to help out.
>
> I only hire workers as a favor to relatives already employed in my plant.
>
> I prefer to hire people who have just come from Santo Domingo. They're more willing to listen to me and are more appreciative of having a job.

Network hiring thus allowed immigrant owners to establish authority along paternalistic lines. Employers reinforced personal loyalties derived from pre-existing social connections by behaving in ways which were congruent with normal, non-economic roles. They acted as intermediaries to assist employees with social and legal problems, or provided short-term loans to cover rent or emergencies. One Dominican employer explained:

> The shop is like a family—people bring me problems everyday. I help them with applications, fill out their immigration papers, call the hospital to find out about relatives, and help with anything involving English.

Ownership also gave owners strategic importance in immigration matters. Employers assisted workers in bringing relatives over from the home country, or sponsored prospective immigrants who needed a guarantee of employment in order to obtain permanent residency. Several owners

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4. This has a direct parallel in the experience of the Korean-American wig industry, which flourished in the late 1960s and early 1970s and then virtually disappeared, taking with it many of the Korean small businessmen who had prospered from selling Korean-made wigs in poor black and Puerto Rican neighborhoods (Kim, 1981:121).

said their bookkeepers regularly handled immigration applications submitted by their workers. Similarly, employment practices took into account the needs of special labor force groups. Work hours and attendance were often flexible, widening access to the labor market for mothers with school-age children who could only work part time. As one owner observed, "the pieceworkers aren't held to a schedule [as long as] they do their work." Another immigrant owner commented that "regular hours" were desirable, but that pieceworkers enjoyed considerable flexibility as long as they produced their quota.

By accommodating workers' diverse needs through network hiring, brokerage, and flexibility, employment practices in the immigrant firms thus promoted the view that ethnic labor and ethnic management shared common interests. Owners presented an "egalitarian" image and, involving themselves in production activities, encouraged workers to identify with the firm. The Dominican owner of a medium-sized sportswear plant said:

> I work on the machines just like the workers do. We all earn our money from here and we all share an interest in seeing that the work is done right.

On the other hand, paternalism constrained owners with the obligations inherent in traditional relationships. Harsh discipline and other direct control techniques—common to small firms on tight deadlines yet also subject to frequent production bottlenecks—threatened to upset the understandings and expectations on which the ethnic employment exchange was based. Said the owner of a factory employing 25 persons, half of them relatives:

> Though I employ relatives in the factory, they aren't more responsible than the others. They take advantage of the relationship and I only hire them for human reasons.

Similarly, the Colombian owner of a textile-cutting shop commented that "when you hire fellow nationals they don't feel that they have to produce."

Skill Training and Business Aspirations

Because the growth of immigrant firms stimulates further entrepreneurial activity among the immigrant population, the structure of the ethnic economy generates positive work orientations. "I worked mainly for other Dominicans," said the owner of one small workshop. "I think that it's easier to get ahead if you work for a compatriot." In fact, three out of every 10 owners had previously worked for another Hispanic owner and among those owners with prior supervisory experience, two-thirds had been employed in immigrant-owned firms. The relationship between previous employment in an ethnic firm and entrepreneurial activity derived in part from the organization of the immigrant firm itself. Operational definitions of employer and employee were vague because the immigrant firm was severely understaffed; as a result, jobs were defined flexibly and included several different tasks. Furthermore, the expectation that paid family members would participate in all aspects of the business promoted training in managerial skills and the acquisition of those contacts critical for business success. By hiring workers through pre-existing social connections, recruitment practices also created a wide basis for trust among those immigrants tied to a common network.

The expansion of immigrant business also stimulated entrepreneurial activity. When I asked owners why they went into business, they emphasized the appeal of autonomy, their distaste for the regimentation of factory work, restricted opportunities as a blue-collar worker, and their lack of education:

> I like to do things for myself. I hate to punch a time card. I went into business because as a worker I was exploited. I wanted independence and freedom.

> As a worker you can never advance as much, ever.

> I thought that this would be the only way to get ahead. I wanted more than a salary.

Business is the only way to get ahead if you don't have much education.

I came to New York to study, but my English is only so-so. The best way to get ahead is to study, then to go into business.

The success of immigrant businessmen heightened aspirations in the broader immigrant community, thus encouraging workers to obtain training in production and managerial skills. The owners' perceptions of opportunities were often linked to the experiences of other immigrants:

Most of my friends either want to be businessmen or are in business already.

This is the easiest way to get ahead. At this point, many young Dominicans are getting into business.

This common orientation toward small business generates a favorable environment within the immigrant firm since, as Bailey (1983) has pointed out, the social distinctions between workers and owners are obscured when immigrant owners are former workers and their employees are workers who see themselves as prospective entrepreneurs.

Industrial Relations

The obligations incurred by workers through their employment in an immigrant firm induced adjustments in pay and benefits which in turn contributed to the viability of the firm. Immigrant firms relaxed normal expectations about productivity and skill because new workers typically absorbed some of the costs of training. In a few firms, new arrivals worked the first day or two without pay; other firms did not enter the new workers on the books for record-keeping purposes until several weeks had passed; still others paid workers on an hourly basis but set the wage below the legal minimum.

More importantly, workers in immigrant firms frequently worked for less than the average industry wage and under conditions that were significantly inferior in every respect—factors of no mean importance when a firm is competing with technologically and managerially superior companies. Three-fourths of the owners claimed to pay the minimum wage or even less, while benefit packages were non-existent. In contrast, hourly wages in unionized companies were set 33 percent above the legal minimum wage. The owners of unionized firms also paid in 20 percent of the total wage to a variety of benefit funds.[5]

Immigrant firms regularly evaded codes governing labor standards. Investigations conducted by the New York State Department of Labor cited nine firms in the Corona-Jackson Heights area for failure to record hours worked and wages paid as required by law, violations of home work laws, and failure to pay the minimum wage (New York State Department of Labor 1982). While I was interviewing owners in the factories, I noticed that clocks were either absent or disconnected, time cards were rarely used, and wages were quoted in weekly, rather than hourly, form, suggesting that piece-rate payments often fell below the legal minimum when competitive pressures became severe. Forty-four of the factories paid their workers in cash, a form of payment which facilitates evasion of tax and wage laws. Although working at home has been banned in New York State since 1945, the classified pages of the ethnic newspapers regularly contained advertisements for home workers. Several owners of neighborhood factories compensated for their technological deficiencies by employing people to sew at home, assigning them specific, time-consuming tasks such as sewing collars.

Finally, employing immigrants in a context where obligations were understood to be both informal and reciprocal discouraged unionization. The International Ladies' Garment Workers' Union is the principal union in the field; while weakened by the outflow of jobs to anti-union

5. Muzaffar Chishti, Research Director, Local 23-25, International Ladies' Garment Workers' Union, March 10, 1983: personal communication.

areas in the southern United States, it remains strong in New York City. Union officials in New York City maintained that non-immigrant firms were almost entirely unionized, a small number of long-standing non-union holdouts excepted. Yet ILGWU leaders conceded that they had encountered great difficulty in penetrating new Hispanic-owned firms (Mazur, 1979). One union official stated:

> The union always competes with the boss for the workers' loyalty. The workers are pulled towards both sides. Remember, the bosses are with the workers 35 hours a week all year long; if we're lucky the union business agent visits the shop twice, maybe three times a month. Still, the workers usually end up closer to us. But when the worker is also a relative of the boss, or if not a relative, then a *landsman* [a hometowner], the competition is much, much tougher.

Indeed, kin and friendship ties virtually immunized the Hispanic firms from union organizing efforts. The owners, strongly anti-union, manipulated their connections to the workforce to evade unionization. As one owner pointed out:

> My shop is like a family. When my workers need assistance, I help them. There's no room for a union here.

Nonetheless, 19 of the 96 firms had been unionized; five were under contract with the Amalgamated Clothing and Textile Workers Union (ACTWU) and the rest with the ILGWU. In these cases, however, the impetus to unionization had come from external pressure, not from an organizing drive among the workers themselves. Labor agreements in the garment trades oblige unionized manufacturers to engage unionized contractors exclusively. In those cases where a non-union contractor is working for a union manufacturer, the threat to shut off the flow of work often induces a non-union contractor to go union: such was the case in the unionized Hispanic-owned firms I surveyed.

However, inducing a contractor to sign a union contract is one thing; succeeding in organizing the workers and making them members of the union is quite another. Coming "over the top," as it did in these Hispanic firms, the union lacked an organic relationship to the workers. Unionization served to have little impact within the immigrant firms and several immigrant owners of unionized firms indicated that only a handful of workers had joined the union.

CONCLUSION

This paper has examined the development and organization of immigrant-owned firms in New York City's garment industry. Immigrant firms have prospered because the economic environment supports neophyte capitalists who have litte capital or technological resources but are rich in human resources. Changes in the structure of the garment industry have transformed New York City into a spot market, favoring small firms with flexible arrangements and relatively primitive production-line technologies. Shifts in ownership patterns have also reflected the varying response of entrepreneurial groups to increased uncertainty in the environment. Older entrepreneurial groups have withdrawn from high-risk business activities, thus creating new opportunities for immigrant owners.

The central problem facing small garment firms is that of organizing and maintaining the labor force: herein lies the central competitive advantage of the immigrant entrepreneur. Given heavy managerial demands and limited resources, recruiting and training labor is an expensive endeavor for the small owner. Moreover, the absence of promotion opportunities and the friction caused by close, personal supervision leads to steady turnover in personnel. In the immigrant firm, interconnections between the immigrant community and the workplace resolve these organizational dilemmas. Family involvement provides a mechanism for mobilizing scarce managerial and labor resources. Hiring workers through the immigrant network also strengthens the employment relationships and fosters skill training.

Are immigrant firms just "sweatshops" in disguise? My case study suggests they are not. While it is true that owners' informal ties to the broader immigrant community initially provide them with privileged access to a cheaper source of labor—a crucial advantage in competing against non-immigrant firms—recruiting through the immigrant network also stabilizes work relationships in a context of loosely defined work roles. This means workers acquire those managerial and production skills which permit them to move into entrepreneurial positions. For workers employed in the immigrant firm, the opportunity to acquire these skills compensates for low pay and provides the motivation to learn a variety of jobs. Once in place, these informal mechanisms of skill transmission facilitate the growth and proliferation of immigrant firms beyond the original market base. Thus, the small immigrant firm, despite its image as a "sweatshop," serves as a ladder for immigrant social mobility.

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