

Appendix table 10.2 Data on Asians and West Indians in selected areas (percentages)

	Asians in population		Socio-economic groups of Asian household heads					West Indians in population	West Indian heads in SEG 12
	1-2	3-4	5-6	9-11	12	Others	no.		
<i>Non-settlement</i>									
Liverpool	0.1	(3)	(2)	(-)	(2)	(1)	(-)	8	(5.0)
Salford	0.5	(2)	(5)	(4)	(9)	(-)	(-)	20	(-)
<i>Replacement labour</i>									
Birmingham	6.4	8.8	3.7	7.4	75.5	2.3	2.3	216	2.1
Coventry	6.2	4.3	2.9	4.8	79.5	2.9	5.7	210	-
Wolverhampton	8.8	3.0	1.9	3.3	84.8	2.2	4.8	269	1.3
Sandwell	5.7	3.6	2.6	3.6	83.9	1.0	5.2	192	1.7
Walsall	4.2	5.2	0.6	4.5	83.9	-	5.8	155	(2.5)
(Dudley)	1.6	3.4	6.8	5.1	76.3	5.1	3.4	59	-
<i>Ethnic niche</i>									
Bradford	7.8	5.0	1.5	3.8	80.1	5.4	4.2	261	(3.0)
Bolton	4.7	3.9	3.9	4.5	74.7	7.8	5.2	154	(9.1)
Rochdale	3.1	5.6	5.6	0.9	74.8	7.5	5.6	107	(-)
<i>Middleman minority</i>									
Manchester	3.1	17.0	10.6	12.8	38.3	14.9	6.4	94	3.0
Newcastle	1.3	26.2	2.4	16.7	21.4	31.0	2.4	42	(-)
<i>General migration</i>									
Leeds	2.5	9.1	3.0	7.6	68.2	9.1	3.0	66	-
Nottingham	2.4	10.0	2.9	11.4	54.3	10.0	11.4	70	0.7
Reading	2.2	16.9	7.0	8.5	64.8	-	2.8	71	5.4
Leicester	16.5	8.8	2.0	9.4	66.7	7.0	6.1	543	-
London	4.1	12.6	9.8	22.2	42.3	6.5	6.6	4,077	2.8

Source: NDHS, special tabulations

Notes: SEG 1-2 managers; 3-4 professionals; 5-6 other non-manual; 9-11 manual; 12 own account workers
Others: Personal service, foremen, farm, armed forces, inadequately described. Actual numbers given for Liverpool and Salford because of small cell sizes

11 Roger Waldinger

Immigrant enterprise and the structure of the labour market

This paper has two concerns: to examine labour market processes in the ethnic sub-economies emerging among the new immigrant population in New York City; and to explore the implications of these findings for segmented labour market theory. The paper develops two principal arguments: first, that the ethnic sub-economy differs from other secondary industrial sectors in the mechanisms by which labour market information is transmitted and workers are attached to firms; second, that these distinctive processes are associated with greater opportunities for skill acquisition and upward mobility.

Introduction

In the stylised model of urban labour markets offered by segmented labour market (SLM) theory, the secondary sector is the province of firms whose lack of market power and reliance on labour-intensive technologies keep wage levels depressed. Since the persistence of competition places a limit on firm size (and thereby on the articulation of structured job ladders) and also reduces the profit levels needed to pay for investment in specific skills, there are few opportunities for mobility within the firm. Skill acquisition through lateral mobility is equally impeded since most firms utilise simple processes with few intermediate positions that would provide learning opportunities. Because the wage levels are low and conditions are poor, the workforce in the secondary sector is marked by high levels of dissatisfaction and is weakly tied to any particular employer. Lacking incentives of either a monetary or non-monetary nature that would heighten commitment to work, secondary firms fall back on atavistic methods of direct control that engender antagonism and heighten turnover. The cumulative effects of instability produce an erratic career in which the succession of jobs and work relationships take on a disorganised and meaningless character. Thus, as Piore argued in his study of Puerto Rican migrants to Boston:

not all . . . [secondary] jobs possess all of the characteristics, and the reason for grouping them together is less that they are all alike in some obvious sense than that workers and employers seem to perceive them as being alike . . . A special effort was made to identify the common feature of the jobs; this appeared to be the opportunity for upward mobility; all of the jobs were essentially dead-end. Not only did they offer little chance of advancement within the enterprise, but they offered little in the way of information, training, or institutional connections which would facilitate advancement elsewhere in the labor market. (Piore, 1975: 11)

This conceptualisation emerged in the late 1960s as an attempt to explain the employment problems of the then predominately black labour force concentrated in low-wage labour markets of the US inner cities. Since that time, new immigrants from Latin America, the Caribbean and Asia have entered the urban economy, in some instances replacing, in other instances displacing, their black predecessors. While the empirical descriptions of low-wage labour markets have been altered to take this development into account, the basic conceptual framework of the segmented labour market has remained unchanged. In fact the transformation of the low-wage labour force seems to confirm the root SLM hypotheses. As Piore argued in *Birds of Passage* (1979) immigrants offered a labour force ideally suited to the requirements of secondary employers. Since the demand for labour in the secondary sector is essentially undifferentiated, instability in a migrant workforce engaged in back and forth moves to their home societies is fully compatible with manning requirements. For workers, the decisive fact is that labour in the industrial society is viewed as temporary and understood as an activity that is instrumentally linked to social conditions in the home society. Thus, immigrant workers are indifferent to the issue of upward mobility and have the additional advantage (from the employer's point of view) of evaluating wages and working conditions in light of the much lower conditions that prevail in the countries of origin.

However, the secondary sector appears to be only one mode of immigrant labour market incorporation in the US; increasingly, immigrants enter the labour market through the portals of immigrant-owned firms. Miami, with its Cuban-dominated sector of more than 150 manufacturing firms, 230 restaurants, thirty furniture factories, a shoe factory employing 3,000 people and thirty transplanted cigar factories is generally seen as the exemplar of the contemporary ethnic economy in the US (Time, 1978; Wilson and Portes, 1980; Wilson and Martin, 1982). New York City, where the research on which this paper is based has been conducted, is no less a stronghold of immigrant business activity. For example, in the clothing trade, Chinese-owned factories provide employment to over 20,000 Chinese immigrants – more than one-sixth of the labour force in the city's largest manufacturing industry (Waldinger, 1983). In restaurants, a conservative estimate pegs the level of immigrant ownership at 60 per cent (Bailey, 1983). Meanwhile, Korean immigrants have virtually taken over the city's stock of neighbourhood groceries – much to the consternation of the supermarket chains who find that

the small immigrant concerns have cut heavily into their trade (Kim, 1981). Among tobacconists, stationers, jewellery manufacturers, construction contractors, furmakers, and taxi-owners, the infusion of new entrepreneurial blood is equally pervasive (Gallo, 1983; Korazim & Freedman, 1983).

This paper argues that labour market processes within this evolving ethnic sub-economy operate differently than they do in other secondary industry sectors. While the SLM literature suggests that labour market experiences have a random and anomic character, the evidence on immigrant-owned firms suggests that these concerns are organised around close-knit, well-established networks of kin, fellow townsmen and common nationals. The mobilisation of these networks apparently alters the interaction between labour and management, strengthening attachment to the firm. The relationship between employment in the immigrant firm and opportunities for subsequent mobility also takes on a different form than the SLM model suggests. Immigrants employed in ethnic firms appear to have substantial opportunities for skill acquisition; this in turn, combined with certain characteristics of the environment, increases the likelihood that they may successfully strike out on their own.

While this argument has been stimulated by direct empirical research, the essay itself is a work of synthesis. It draws on a variety of studies of small business activities among new immigrants in New York City. Some of these, including my own, originated as labour market studies focusing on the interactions between a diverse immigrant population and other labour force groups within a specific industrial context. Interest in immigrant enterprise emerged only in the course of research when it appeared that the role of immigrants within the various industries was mediated by their absorption into immigrant firms. Other studies referred to in this essay belong to the literature on immigrant adjustment; here the focus is on a single ethnic group whose entrepreneurial activity comprises one aspect of the broader process of ethnic adaptation. As distinct contributions, both the ethnic group and labour market studies highlight the myriad of ways by which immigrants gain access to a particular business niche. Taken together, however, the findings resonate with one another, uncovering a set of regular labour market practices that reappear across industry and ethnic group boundaries.

Immigration trends and adjustment patterns

New York is America's quintessential immigrant city and it has resumed its role as a Mecca for the country's newcomers ever since the revision of US immigration laws in 1965. Approximately 800–850,000 legal immigrants arrived in New York City between 1970 and 1980, almost 18 per cent of the total immigrant population moving to the United States during that period. To these legal arrivals can be added an indeterminate, though certainly

sizeable number of illegal immigrants. Despite economic crisis and population decline, immigration mounted during the second half of the last decade when both the level of legal immigration and the numbers of foreign visitors – an indirect indicator of illegal immigration – moved upward (US INS, 1970–79; Tobier, 1982).

The New York-bound migration stream constitutes a group quite distinct from the rest of the nation's. Despite the city's large population of European descent, migration from Europe has dropped off more sharply than in the country at large. Similarly, Mexico and Cuba, which are important source countries nationally, contribute relatively little to the New York migration flow. Instead, New York's immigrants are dominated by newcomers who move from other western hemisphere countries and from China, with other important Asian-sending countries furnishing a relatively small migration flow.

In comparison to the rest of the nation, New York's immigrants are more likely to be of working-class and lower middle-class backgrounds. In part this is an artifact of the population's national composition, since Asians, the most educated group among the new arrivals, generally settle elsewhere. However, even in comparison to migrants of similar national backgrounds, New York's newcomers remain less likely to have been previously employed in professional and technical jobs. The percentage of such immigrants with higher-level training has declined among all immigrant groups, including Hispanics and Asians (Tobier, 1982).

Though immigrants experience downward mobility after entering the United States they subsequently move along an upward slope, gaining increments in pay as they acquire greater experience, firm-specific training, and greater labour market information. Research indicates that the earnings of immigrants reach parity with the earnings of comparable nationals (those born in the United States) after a ten to twenty year period; thereafter newcomers surpass nationals in earning ability (Chiswick, 1979; Waldinger, 1982). Comparable, locality-specific studies have not yet been conducted and thus it is difficult to assess the progress of those immigrants who have settled in the New York area. However, the available indicators suggest that local patterns of adaptation resemble the national norm. While *per capita* income tends to be lower among immigrants than among nationals, rates of unemployment, poverty and labour force participation among immigrants are on a par with that of the total population. Moreover, relative to the 'native' minority population of blacks and Puerto Ricans, the new immigrants do substantially better on all major indicators despite comparable 'human capital' characteristics. (Bailey and Waldinger, 1983; US Census of Population, 1980.)

The structure of the ethnic economy

The ethnic economy is structured around a series of economic processes that both create a protected niche for small immigrant firms and maximise the importance of immigrants' informal resources. The starting-point for many immigrant small businesses is the ethnic community itself. As Kinzer and Sagarin first noted, 'an ethnic group may not only have its own language, but its habits and customs that are better understood by business establishments operated by members of their own group' (Kinzer and Sagarin, 1953: 144). Among new arrivals there is often an intense demand for ethnic products of various types, whether cultural or culinary, whose provision involves a direct connection to the homeland and a knowledge of tastes and buying preferences unlikely to be shared by larger, native competitors. Immigrant businesses may also benefit from an ability to obtain the trust and confidence of the larger immigrant community. This is especially true for those businesses specialising in the process of adjustment. Since newcomers are often disconnected from the institutionalised mechanisms of service delivery, these immigrant businesses perform a myriad of functions far above the simple provision of accountancy, legal aid, or travel information and reservations. The search for security also leads immigrants to patronise their co-ethnics over outsiders. In the Colombian and Dominican neighbourhoods of Queens, for example, immigrant contractors renovate buildings and homes for other immigrants who opt for the reliability and reputation of a contractor over the lowest offer made through an ethnically open, competitive bid (Gallo, 1983). A preference for a segregated life-style also opens a niche for immigrant businesses: Israeli immigrants in Brooklyn, for instance, operate a thriving quasi-legal cab service taxiing religious Jews who prefer to utilise the services of other Jewish concerns (Korazin and Freedman, 1983).

Influences emanating from the open market provide a further spur to ethnic enterprise. In manufacturing, New York City specialises in products for which the final demand is highly unstable – with the result that the small, flexibly managed firm represents the optimal form of organisation. Immigrant clothing firms successfully compete in the production of short-lived style items and overruns on standardised goods because large firms lack the organisational capacity needed to respond to unpredictable tastes and short-term buying trends (Waldinger, 1984). In food retailing, the complexity of the New York market, with its heterogeneous ethnic mix, makes it a quagmire for national chains with cumbersome and rigid central administrations. Consequently, smaller, locally-based chains, where the span of control is short enough first to process information about highly differentiated market segments and then to service those various needs, are the dominant presence in the local market. However, these chains lack the economies of scale needed to achieve significant market power, with the result that food retailing can be easily penetrated by new immigrant-owned firms. Similar processes are

at work in the food service (Bailey, 1983) and taxi (Korazin & Freedman, 1983) industries, creating more favourable terrain for small firms.

Stability and training

One strand of the original SLM literature emerged out of an institutional study of the internal labour markets of large firms. Doeringer and Piore's study (1971) showed how the internal labour market served to recruit and stabilise a trained workforce and minimise the risks associated with companies' investments in training. By restricting entry to the lowest point of the job hierarchy and providing orderly lines of progression up the job ladder, firms maximised workers' interests in maintaining tenure on the job. With the reduction of instability, employers increased the likelihood of obtaining a return to their initial investment in training.

In industries characterised by small firms the problems of obtaining and stabilising a training labour force are considerably more severe. If technological conditions are similar and skills are general, or if the labour contract is of an uncertain and limited duration, firms will be reluctant to train workers. One alternative is to lower skill levels so that the costs of training can be drastically reduced. In fact, the SLM literature suggests that this is the remedy that small firms generally pursue; as Piore argues, jobs in the secondary sector 'are essentially unskilled, either requiring no skill at all, or utilising basic human skills and capacities shared by virtually all adult workers' (Piore, 1980: 18). However, in many secondary industries, deskilling is not a viable option. For example, the industries that comprise New York's manufacturing complex are associated with a high degree of uncertainty in their final products and as a result jobs cannot be reduced to a single, simple task; similar conditions exist in other industries (food service, construction) in which immigrants are concentrated. Where the technology lends itself to a more radical division of labour, de-skilling tends to lower wages and limit the opportunities for upward mobility. But this device may intensify the recruitment problems further. If wages fall below the community norm and entry-level jobs are detached from promotional opportunities the effective labour supply declines, producing the very situation that triggered the latest migration flow.

The factors affecting attachment of ethnic workers to the immigrant firms take a considerably different form because social ties are reproduced within the workplace. Where shop size is small (as in newsstands or restaurants) labour market mechanisms may be entirely superseded by family relations. In other cases, labour requirements make it necessary to reach beyond the family circle; but in these instances jobs can be manned by fellow townsmen, or at the very least, common nationals. My research on the clothing industry, for example, showed that Dominican immigrant entrepreneurs tended to

organise their firms around migration chains from a common site in the Dominican Republic. In a typical case, relatives and friends comprised the entire workforce of an eighteen-person factory owned by three brothers from a small agricultural town in the northern Dominican Republic; in a firm jointly owned by two parents and two of their adult children, half of the workers came from the owners' hometown and the remaining employees came from small towns in the vicinity (Waldinger, 1984 a, 1984 b). Such pre-existing social connections provide privileged information about worker attributes, useful in predicting behaviour on the job. The same ties also furnish a source of norms and sanctions needed to promote cohesiveness and guard against turnover – especially important in industries like apparel or construction where labour shortages typically develop during periods of seasonal activity. Thus, Korean greengrocers in New York use network hiring as a device to exclude potential competitors, who might enter into employment to learn the trade and then quickly strike out on their own (Kim, 1981). Similarly, in construction, ethnic connections substitute for unions by organising craftsmen into informal networks that promote rapid information flows and reinforce the stability of the labour supply and thereby maintain skill levels (Gallo, 1983). Workers with weak or malintegrated networks may in turn find themselves excluded from immigrant firms that hire through social connections; interviews with Chinese workers employed in the New York clothing industry underlined the employment difficulties that new and untrained workers encounter in the absence of connections to owners or employed friends willing to lend assistance in job training.

Network recruitment further strengthens firm-level attachment by redefining the employment exchange in terms of personal relationships and loyalties. 'It's been a tradition to hire the relatives of our workers', explained one Dominican clothing factory owner who announced all his vacancies to his workers. 'We consider them our friends.' Many immigrant-owned clothing firms systematically hire the newly arrived friends and relatives of workers already employed in the plant (Waldinger, 1984 a, 1984 b). Similarly, Bailey (1983) notes that some immigrant restaurants in New York serve as way-stations where recent immigrants who know friends or relatives of the owners can earn a little money and make contacts while they are looking for a job.

Personal loyalties are reinforced when employers behave in ways that are congruent with normal, non-economic roles. In the clothing industry, owners act as intermediaries, intervening to assist their employees with social and legal problems or providing short-term loans that cover the rent or pay for emergencies. As one Dominican employer commented in an interview, '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 them with anything involving English.' The case studies of both restaurant and garment industries indicate that immigrant entrepreneurs also tend to assist workers in bringing relatives over from the

home country or to sponsor prospective immigrants who need a guarantee of employment in order to obtain permanent residency (Bailey, 1983; Waldinger, 1984 a, 1984 b).

In secondary firms, low pay is a source of grievance that attenuates workers' attachment to any employer. Secondary firms are also vulnerable to any expansion in the demand for better-priced labour as well as the attractions of other forms of income generation, e.g. the illegal economy or public assistance. By contrast, network hiring tends to isolate immigrant firms from wider economic influences, with the result that the competition for labour is regulated by the norms of the ethnic community rather than the standards that apply in the broader labour market. Generally, wages are interdependent because industries recruit from the same sources of labour and through similar labour market institutions. Wage claims can further be transmitted across occupational or ethnic group boundaries if jobs or union jurisdiction overlap or provide contexts for interaction. But if the competition for labour in an industry is ethnically circumscribed, or if occupational segregation isolates an ethnic group from the broader labour market, the processes by which claims and norms cross group boundaries to gain universal coverage is blocked. Consequently, when immigrant workers find themselves concentrated in ethnic firms and isolated from the influence of contrasting wage norms, demands to keep up relative wages tend to be weak. Moreover, the norms governing employment conditions often come to reflect the informal exchanges characteristic of ethnic firms, with the result that the socially acceptable conditions of employment are redefined, as the following clipping from the local Chinese press suggests:

the garment industry (is) not only one of the two economic lifelines of Chinatown, but it also plays a role of social responsibility. In a situation of inadequate day care, women workers who were mothers could come and go with flexible schedules, convenient for taking and picking up their children from school. If social security was insufficient, the garment shop allowed some old people to cut threads, and in addition to a small wage, they would also get the union's Blue Cross benefit. The Chinatown garment shops have also provided an opportunity for new immigrants, who can learn a skill and have a temporary position before, entering American society. (Pei Mei Daily, 10 Nov. 1982, author's files)

Authority and control

A second function of network hiring derives from its role in the maintenance of authority and the mediation of internal strain. In the SLM literature the small firm appears riven by antagonistic labour-management relationships. Supervision is tyrannical and capricious; there are no formal grievance procedures through which workers can seek redress for their complaints; and management and labour are caught in a vicious circle in which workers respond to the harsh exercise of discipline with further insubordination. While

this picture of the small firm has been generally accepted, there is another perspective that suggests that small firm size is in fact associated with co-operative worker behaviour. Research on the 'size-effect' indicates that small firms garner favourable ratings when checked against larger plants on turnover levels, propensity to strike, job satisfaction, and a variety of other indicators (Cleland, 1955; Ingham, 1970), despite all the liabilities underlined in the SLM literature – few opportunities for promotion, lower wages and inferior fringe benefits.

If size *per se* is unlikely to yield a particular industrial relations environment the contrasting findings on the effect of size suggest that it does create the potential for two quite contrasting types. Where management and labour are ethnically distinctive, as in low-wage firms in the US inner cities, face-to-face relationships may be all the more difficult to sustain. Ethnic behavioural patterns are often so divergent that simple stylistic differences are perceived in deeply threatening ways. This is especially so when management and labour engage in frequent interactions under the conditions of duress that so often confront small firms (bottlenecks, short delivery deadlines, undermanning, etc.). Repeated conflict over production quotas, behavioural rules, absenteeism, and instability tends to take on an explicitly racial character as management, in particular, interprets workers' behaviour in racially stereotyped ways. Disparities in wages, personnel policies, and general working conditions are also likely to be all the more resented when immigrant or minority workers are employed by members of the majority group. Finally, racial or ethnic conflicts originating outside the workplace may reverberate powerfully within.

In the small ethnic firms, however, antagonism is transcended because authority is secured on the basis of personal loyalties and ethnic allegiances that antedate the work situation. Thus, the simple fact of ethnic commonality provides a repertoire of symbols and customs that can be invoked or manipulated to underline cultural interests and similarities in the fact of a potentially antagonistic relations. For example, Chinese immigrant employers in the New York clothing industry celebrate holidays and shop anniversaries by holding banquets or luncheons to which all workers are invited. On the Chinese New Year, they pass out gifts (the traditional 'red envelope' stuffed with five dollars) and hold raffles whose proceeds go to the workers. Values and symbols may be cultivated on a more routine basis to broker patron-client relationships, as Wong observed:

The (clothing factory owner) is aware that he is more than employer [to his workers] and that he is consciously cultivating *Gam Ching* [sentimental feeling] with the workers . . . He used all possible ways to instil loyalty among his workers. He has had most of them since 1969. Kinship terminology such as *Je, Mui, Dai, Sou, Suk, Sam*, and *Baah* are deliberately used. He often tells them, 'You are only of the family. You can count on me.' (Wong, 1979: 115)

Moreover, culturally-sanctioned patterns of paternalism mediate the tension and conflict that arise from instability and from the constant pressure induced by instability, bottlenecks or short delivery deadlines. Interviews conducted with Chinese employers in the clothing industry indicate that employers quite deliberately engage in gift-giving and celebrations in order to appease hostility generated by low earnings or difficult jobs.

Conflict is also mediated by ethnic management's attempt to present an egalitarian image and thereby lay claim to identification with the workers it employs. The organisation of the ethnic firm tends to reduce functional differences on both sides of the employment exchange. Ethnic owners initially negotiate capital barriers by substituting their own labour for any deficient factor of production. Once in business, they often lack the profit margins needed to pay for exclusive involvement in administrative affairs and continue to work alongside their employees. Involvement in production activities obscures differences in status and rewards, as Herman noted in his study of Macedonian-owned restaurants in Toronto:

There is a recognized hierarchy of jobs, and job status is reflected in income . . . Despite this hierarchy interpersonal behavior among all staff including the owner is normally egalitarian . . . Since, despite their relatively higher income, most owners worked more than any staff member, they saw themselves as equal to others working in the restaurant who earned without actually working, the owners might have considered themselves 'better' and so kept a social distance.

In the garment industry, these claims to identification are buttressed by awareness of the immigrant owner's inferior position in a contractor-manufacturer relationship that mirrors the overall pattern of ethnic subordination. Consequently, the appeal to identity based on functional equivalence plays an important role in mediating strain within the ethnic firm, as the following leaflet, distributed by a group of Chinese garment factory owners during the course of a labour dispute, vividly suggests:

No matter if we're bosses or workers, we are one, like fingers on a hand. We're all in the same boat together in this garment industry, fighting for a decent living. Everyone in Chinatown can see the work of the bosses. Every cent is earned from sweat and blood. There's no difference at all with the workers, except going uptown to get the garments [from the manufacturers]. When [the bosses] come back, they take off their coats and sit down and sew just as hard . . . (Leaflet distributed by a 'Group of Justice-Loving People', author's files)

In some cases, business activity will take the form of occupational or industrial encapsulation in which an ethnic group's activity is bound up with a distinct trade. To take the New York example, the Chinese are concentrated in clothing and restaurants, Greeks in restaurants and furs, Koreans in vegetable and fish retailing, and Indians in small non-food retailing (tobacco and stationery shops and newsstands). Here, occupational distinctiveness produces ethnic solidarity by creating a niche in which cultural and economic roles are congruent. Consequently, the salience of ethnic identity

reduces the appeal of groups that make class-based claims, such as unions. Thus, while the SLM literature reports that secondary employers are often unionised, research on immigrant business indicates that the employment of immigrants in a context where obligations are understood to be both informal and reciprocal discourages unionisation. Even when immigrant firms are organised, unions seem constrained in their ability to significantly alter the employment relationship. Similarly, solidaristic norms shield ethnic firms from the purview of state regulation, witness this reaction by a major New York Chinese daily to government attempts to enforce wage and hour laws:

low pay is not the result of employers' exploitation nor the workers' fault. The westerners do not understand this special situation in Chinatown and label the shops as 'sweatshops' . . . The outsiders do not know the facts and causes and know only to label the shops as 'sweatshops' based upon pure imagination. It is in contradiction to the reality.

(*United Journal*, 15 October 1982, author's files)

Opportunities and labour market behaviour

One important strand of SLM theory links the behaviour of the workforce to the opportunities that they encounter and the work environment in which they function. As Harrison and Sum write in recapitulating the SLM viewpoint:

In acclimatizing themselves to local work arrangement some workers may find it psychologically as well as technically difficult to move from one stratum of the economy to another. Embedded in the dual labor market [theory] is the hypothesis that productivity and stability increase as wages increase. Thus, at the low wages prevalent in the secondary segment, poor productivity and lack of motivation are to be expected.

(Harrison and Sum, 1979: 691)

Conditions in the immigrant sector offer workers a different mix of opportunities and these in turn elicit a distinctive set of aspirations and expectations. The expansion of the ethnic economy provides both a mechanism for the effective transmission of skills and a catalyst of the entrepreneurial drive. Skills are relatively easy to pick up in the small immigrant firm, where responsibilities are flexibly defined and, due to understanding, jobs often include several tasks. Family members, brought in with the expectation that they will help out in all aspects of the business, thereby gain the chance to acquire not simply managerial training but also those contacts to suppliers and customers needed for business success. By recruiting through the immigrant community, the immigrant owner also creates the basis for trust and the delegation of authority, generally absent from the native-owned firm where prejudice often confines immigrants to low-skill jobs. For example, few native-owned restaurants in New York hire immigrants as either managers

or waiters, but immigrants are employed in both of these positions throughout the immigrant business sector (Bailey, 1983).

In similar fashion, the protected market also provides an 'export platform' from which ethnic firms can expand. Greeks started out in the restaurant trade serving co-ethnics looking for inexpensive meals in a familiar environment. This original clientele provided a base from which the first generation of restaurateurs could branch out. More importantly, the immigrant trade established a pool of skill and managerial talent that eventually enabled Greek owners to penetrate beyond the narrow confines of the ethnic market and specialise in the provision of 'American food'. Currently, Latin construction contractors servicing the ethnic community are gradually edging out into the broader market as they assemble a skilled labour force and gain in efficiency and expertise (Gallo, 1983).

No less important than skill is the motivation to go out on one's own. As the immigrant sector grows it throws up a pool of potential role models whose success reinforces the drive for independence. Interviews with Hispanic and Chinese immigrant owners in the clothing industry, for example, indicated that their perceptions of opportunities were often linked to the experiences of other immigrants within their reference group. Business activity, it appears, follows an imitative pattern; initial business success signals the existence of a supportive environment, thereby encouraging other, less adventurous entrepreneurs to follow suit. As Kim (1981) notes in the case of the Koreans:

Korean immigrants who entered the United States via Latin America were the first to enter the fruit and vegetable business in 1971 . . . News of their success quickly spread through the Korean community in the area, and new immigrants from South Korea quickly followed them into the business. This economic news also spread to Philadelphia, resulting in the emergence of Korean fruit and vegetable enterprises in that city.

(Kim, 1981: 114-15)

While the immigrant sector gains new entrants on the basis of imitation, expansion may also have a dynamic effect on the customer base. Economies of agglomeration occur when firms proliferate and attract additional customers drawn by the size and diversity of the market – as in the case of stores that draw in passerby traffic from customers patronising other nearby shops. Such agglomeration economies play a catalytic role for ethnic merchants catering to the distinctive tastes of their co-ethnics, since the size of the market provides a scope for specialists whose services would otherwise not be in sufficient demand. Thus, because consumers are drawn by the tremendous variety of services that only a centralised commercial area can provide, New York's Chinatown, located in the original area of Chinese settlement, has seen business activity burgeon even though residential patterns have become more dispersed.

Conflict and constraint

An alternative to the argument developed so far would suggest that immigrant firms are privileged only in their ability to exploit the immigrant workforce. By hiring through the ethnic networks, immigrant employers engage their workers in a sponsor/client relationship whose claims extend far beyond the cash nexus. Workers entangled in close sponsor/client relationships may find that the expectations and obligations incumbent upon them serve to inhibit rather than encourage inter-firm mobility. As Wong noted in his study of Chinese businesses in New York:

The newly arrived kinsmen are thus tied to the employers and are expected to work hard and get little pay in order to reciprocate the kindness of the sponsor. A kinsman sometimes can remain in such a client-employee status for many years and be 'milked' by the employer-patron.

(Wong, 1979: 107)

The probability of movement out of the ethnic firm depends on the broader structure of opportunities in which ethnic enterprise emerges. Where immigrants are institutionally segregated from the broader labour market and/or highly dependent on ethnic trade, immigrant employers can effectively use the threat of exclusion or ostracism to maintain control and stability. Mobility may also be hindered if ethnic elites establish formal structures that regulate intra-ethnic economic activity, such as the trade guilds and marketing organisations that were common among Chinese-Americans and Japanese-Americans in the early twentieth century (Light, 1972; Modell, 1978; Bonacich and Modell, 1980). But these structures are most likely to arise when the threat of unimpeded business growth and competition stands to overwhelm the limited market for ethnic goods.

In the current context a complex of interacting psychological and economic factors diminish the potential for a captive labour force. Since the immigrant sector is in a growth state, there is little need for intra-ethnic economic control. Efforts to regulate business activity have arisen on occasion among the Chinese and Koreans but they have foundered against the immigrant entrepreneur's incessant search for individual opportunity (Kim, 1981; Waldinger, 1983). More importantly, the widening of opportunities provides a spur to ambition, and this in turn feeds into a preference for economic independence that is bred by the regimentation of low-level factory and service jobs and the constricted opportunities for advancement within the blue-collar hierarchy. The studies of immigrant clothing and construction contractors, for example, found that the desire to be 'one's own boss' was the most frequently mentioned reason for starting up a new business enterprise (Gallo, 1983; Waldinger, 1983). Exclusion from those more desirable mobility paths for which education is required further reinforces the appeal of small ownership.

Where the immigrant firm services an open market – as is the case for

Chinese clothing manufacturers, Greek restaurants, or Korean vegetable and fruit dealers – workers who seek to go out on their own can do so with little punitive threat. Since these businesses involve market relationships to outsiders, trust between sellers and customers is of reduced importance and performance is judged according to abstract criteria. Under these conditions, as the following case suggests, the demands of patron–client relationships can be evaded upon the acquisition of business contacts and managerial skills:

M. moved to New York City from Hong Kong in 1965. In 1968 she went to work for her aunt who owned a cut-make-and-trim factory and needed M. to help out in the plant. M. became involved in all operations of the firm and worked closely with the manufacturers who sent jobs to be made up to specification. M. then went into partnership with her aunt but later broke with her aunt over a disagreement about business practices. In 1979 M. found a new partner with whom she opened a new factory employing thirty-five workers. M. is now responsible for relationships with outside suppliers and customers while her partner manages production.

Since entry into business is thus unhindered by social control mechanisms, the ethnic business sectors are rife with competition and turnover rates for new businesses are high (Kim, 1981; Waldinger, 1983).

Finally the would-be owners' thrust towards independence does not necessarily conflict with the interests of the immigrant employer. From the standpoint of the worker, the opportunity to acquire managerial skills through a stint of employment in the immigrant firm both compensates for low pay and provides the motivation to learn a variety of different jobs. For the employer who hires the co-ethnic, the short-term consideration is access to lower-priced labour. Over the long term, the immigrant owner can act on the assumption that the newcomer will stay long enough to learn the relevant business skills. Moreover, the new entrant's interest in skill acquisition will diminish the total labour bill and increase the firm's flexibility. Thus, one can trace out a sequence of developments that shape regular labour market behaviour within the ethnic sub-economy: first, the development of a distinct business niche; then a community-wide orientation towards business; finally an understanding that newcomers will seek to go out on their own. For these reasons, work in an ethnic firm takes on the character of an entrepreneurial career. As the owner of a long-standing Chinese restaurant in New York noted: 'My father brought 100 people over from China. They worked in the restaurant and then went out on their own. Most of the successful Chinese restaurants in New York have someone who was trained in the House of Chan' (Neustadt, 1980: 68).

Conclusion

The ethnic sub-economy is based in the competitive sector of the economy but in the structure of its labour market it stands apart from other secondary

industrial sectors. What distinguishes the labour market in the ethnic sub-economy are both the *processes* by which workers are attached to jobs and the *outcomes* of those interactions. The root hypothesis is that informal resources substitute for the institutionalised mechanisms common to large firms in organising the labour market. These informal resources, which consist of connections to a supply of family and ethnic labour as well as a set of understandings about the appropriate behaviour and expectations within the work setting, provide a conduit for the flow of labour market information and create a normative climate conducive to stable relationships to a single firm. As these resources are mobilised, the initial effect is to provide the immigrant employer with privileged access to the immigrant labour force – a factor of considerable advantage in competition against non-immigrant firms. However, the creation of stable work relationships within a context where work roles are loosely defined has the unintended consequence of facilitating the acquisition of skills that can permit subsequent movement into entrepreneurial positions. Once in place, these informal mechanisms of skill transmission facilitate the growth and proliferation of new ethnic firms beyond the original customer base. Business success then acts as the parent of an alternative motivational structure, breeding a community-wide orientation towards small business and encouraging the acquisition of business skills within a commonly accepted framework.

This paper suggests a number of implications for further research in the field. One issue concerns the differences among minority groups in rates of self-employment and small business activity. This is an issue of particular import in the United States where immigrants are more likely to be concentrated in small business than native blacks but it is of significant interest in the UK as well, where considerable differences obtain between South Asians and West Indians. Given the importance of informal resources in mobilising the ethnic labour force, one hypothesis would link business success to the strength of informal networks among various ethnic groups.

A second issue involves the relationships between those industrial structures conducive to small immigrant business and labour market processes. In SLM theory, small firm size and competition are the defining characteristics of the secondary sector, yet these conditions also create the opportunities for small business development. Rather than aligning the secondary labour market with the competitive sector, as does SLM theory, the evidence reviewed here suggests that the opportunities for small immigrant business are linked to the differences among competitive industries. One possibility is that opportunities for entrepreneurship will be concentrated among those competitive industries linked to volatile and fluctuating product markets where flexibility and informal organisational resources play a critical role. By contrast, in competitive industries making standardised products, firm size and specialised production technologies will impose excessive entry barriers both in terms of capital and skill.

Notes

- 1 This summary synthesises, in somewhat stylised form, a large and growing literature. Key works include Doeringer and Piore, 1971; Gordon, 1972; Gordon, Edwards and Reich, 1982; Edwards, 1979; Piore, 1973, 1979, 1980.
- 2 My own research on the clothing industry is reported in Waldinger, 1983, 1984 a, 1984 b. Other labour market studies include: Bailey, 1983; Gallo, 1983; Korazim and Freedman, 1983. This paper also draws on research on low-wage labour markets that I have conducted, along with Thomas Bailey of Columbia University, for the New York City Office of Economic Development.
- 3 Ethnic group studies include: Kim, 1981; Wong, 1979.

Section four**Labour markets and gender**

Until the late 1970s, social research into labour markets and employment focused overwhelmingly on the attitudes and experiences of male workers. The assumption appeared to be that women were marginal to the central dynamics of employment relationships. However, striking changes in the gender composition of the labour force in the 1970s could only heighten a growing awareness that not only were prevailing accounts of labour markets restricted in scope, but that it was impossible to provide an adequate analysis of the structure and operation of labour markets without more systematic research into the determinants of female participation and of the ways in which employers utilised female labour.

One of the most significant contributions to our knowledge in this area has been the research programme launched by the Department of Employment. Ceridwen Robert's paper presents an overview of this and discussed the nature of women's labour market participation and employment as they emerge from the Women and Employment survey carried out in 1980. This shows that the majority of women spend the greater part of their working life in paid employment and that women are returning more rapidly to the labour market after childbirth – thus eroding the traditional bimodal pattern of labour market participation. As with men, the principal reason that they seek employment is financial and women's incomes are a vital component of household income. However, the study reveals in stark form the extent of occupational segregation, a phenomenon that is particularly marked in situations in which women are employed part-time. Women's withdrawal from the labour market for childbearing imposes marked costs in terms both of lost earnings and downward occupational mobility on return to employment. Yet, while this derives from a socially constructed sexual division of labour, the research shows that women largely accepted it, believed that their main work should concern home and children, and were happy with the existing balance between home and work.

It has been noted frequently that women's earnings in employment are