

## Undressing the garment industry. Immigrant entrepreneurship in seven cities

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### *GENERAL AND SPECIFIC PROCESSES*<sup>1</sup>

Capital, goods and people move around the globe, linking distant social, political and economic configurations and generating vast changes at an unprecedented speed and scale. The process of globalization entails the shrinking of the world, but this does not necessarily mean the end of geography, as Raes (2000) correctly observes. Local differentiations still matters. The garment industry is a case in point.

In the late nineteenth century, when the sewing machine and, subsequently, new work floor arrangements were introduced, there was the expectation that productivity would skyrocket and that large factories would become the garment production sites. In the post war period, 'smarter' machines that could work with different garment sizes, materials, styles, and so forth were designed in another attempt to rationalize garment production. However, the adoption of advanced technology such as CAD-CAM systems by large factories did not prevent manufacturers from continuing to rely on cheap labor for the assembly of garments and many outsourced this part of the production process off shore. The exodus of garment manufacturing to low wage countries, it was argued, was part of a larger process of globalization and only served to strengthen the emergence of a New International Division of Labor (Fröbel, Heinrichs & Kreye 1980). In various cosmopolitan cities, such as Amsterdam, London, New York City and Miami, the decline of garment manufacturing was dramatic and the industry began to be viewed as a 'sunset industry'. However, contrary to the gloomy expectations, small garment factories in advanced economies demonstrated considerable resilience, partly due to the salient role played by immigrants. Today, it is hard to imagine the garment sector of these cosmopolitan cities without immigrants.

Each city has a conglomerate garment industry,<sup>2</sup> a proliferation of small enterprises closely connected in chains of dependency, and a strong immigrant presence in the ranks of entrepreneurs and workers. They exhibit profit making and success, but also exploitation, substandard labor conditions and an abundance of other informal practices that at times provoke public outrage. Any casual observer would rightly conclude that the similarities are telling. What else could be expected in an era when economic, social and political transformations are shaped by the uniformizing forces of globalization?

However, there are also many differences (Rath 2002b). For all the similarities in the industry, the cities occupy a different international market position, while the sector's size, structure and development show their own specific features. Furthermore, the immigrant presence follows a different historical track, resulting in differences in the ethnic divisions of labor, differences in the capacity of immigrants to develop political clout, and differences in opportunities for economic integration and upward social mobility. In Amsterdam, immigrant entrepreneurs, Turks in particular, carved out a niche in the local rag trade, but most of their businesses were wiped out of the city in the early 1990s when the government embarked on a large-scale crackdown campaign. Entrepreneurs and their spokesmen campaigned for a more leniency to no avail, as the government just ignored their demands. In Los Angeles, the immigrant rag trade is still thriving, despite ham handed anti-sweat campaign. Here it are workers and their organizations calling upon the government to shift gears and really enforce the law, but the authorities seem to lean toward the

interests of the entrepreneurs. In London, there is still a proliferation of immigrant enterprises, partly due to business support schemes developed by the local government. Cypriot entrepreneurs successfully linked up with the local Labor Party, and this was favorable for their business ventures. Any casual observer might now rightly conclude that the differences are telling. What else could be expected in an era when general processes are largely contingent on local forces?

This combination of general and specific processes and outcomes is intriguing and should have consequences for the framing of social scientific research. One departs from general theoretical premises and address general trends as well as historically specific conditions. This quest for the interrelationship, or dialectic, of general and specific factors and processes is not new. In his introduction to the *Grundrisse*, conceived in 1857-1858, Karl Marx (1973: 85) referred to this problematic. He argued that the same kind of social relations and processes are found in every mode of production and concomitant social formation, but they manifest themselves in ever-changing, historically specific shapes (cf. Bovenkerk, Miles & Verbunt 1990: 477; Miles 1989). It is this specificity that is really telling.

This paper is about immigrant entrepreneurship in the rag trade in Amsterdam, London, New York City and Miami as well as Los Angeles, Paris and the British West Midlands (Birmingham and environs).<sup>3</sup> It describes and analyses the development and structure of the immigrant garment industry in seven world cities in four advanced economies. Each of these cities is a major international center of garment production, and in some of them this has been the case since the early nineteenth century or even earlier. Over the years, immigrants have played an important role. Without their input, the industry would not have been able to establish in these particular places and would not have stood a chance of surviving over such a long period of time. But how exactly do the immigrant entrepreneurs perform in these metropolitan centers of garment production? What are the performance of immigrant entrepreneurs, their position in the rag trade, the dynamics of their entrepreneurship, and the factors underlying these processes?

The immigrant garment industry has already been the subject of academic study. Apart from the cities already mentioned, there are several studies on cities like Johannesburg (Rogerson 1999 and 2000), Manchester (Werbner 1980 and 1984), Milan and Prato (esp. leatherware, see Farina et al. 1997; Zincone 2000), San Francisco (Wong 1998), and Toronto (Hiebert 1990 and 1993). However, all these studies save a handful focus on one specific case.<sup>4</sup> International comparisons are obviously rare. This may be a weak feature of the study of immigrant entrepreneurship in general, but is quite striking in a sector as global as garment manufacturing. What is needed is an international comparative approach that appreciates national particularities. But comparing countries alone does not suffice, since immigrant economic incorporation is the product of a multitude of factors at various levels. Besides, as Favell (1999) argues with regard to studies that compare policies of integration across countries, many studies lead to repetitive and moribund research and reproduce national stereotypes and assumptions about the nation state. Favell suggests that the city is a far better unit of analysis. The city represents a level of research that 'enables both contextual specificity and structural comparisons that allow for the fact that immigrant integration might be influenced simultaneously by local, national and transnational factors' (see also Light & Rosenstein 1995; Persky & Wiewel 1994; Waldinger 1996a). However, these kind of comparisons are sparse too.

For the record, the presence of immigrants in the rag trade has not been confined to the ranks of entrepreneurs. On the contrary, the vast majority joined the work force as wage laborers, mostly doing unskilled and lower skilled work. The focus of this paper, however, is *not* on immigrant workers, notwithstanding their importance. It only examines the work force in as far as it impacts on entrepreneurial strategies and opportunities. This is the case when we address questions like whether entrepreneurs can tap a pool of cheap and flexible labor, how they cope with the forces of

organized labor, and to what extent this pool of labor generates new entrepreneurs. Venturing out of wage labor is an important, gender-specific strategy of mobility. Immigrants who enter the labor market as machinists in a sewing shop and seek self-employment will probably set up shop in the garment industry or an adjacent sector where they can capitalize on the skills and social network acquired in the garment industry (Hiebert 2002; see also Waldinger 1996b).<sup>5</sup>

### **MIXED EMBEDDEDNESS**

This paper is based on the Polanyian position that entrepreneurship can only be fully understood and explained if one adopts a perspective that is broad enough to capture aspects outside the neo-classical domain of supply and demand (Polanyi 1957). Since Ivan Light published *Ethnic Enterprise in America* back in 1972, virtually every student of immigrant entrepreneurship with the notable exception of the economist Bates (1997) has avoided the direct use of neo-classical economics. Instead they focus on structural triggers such as blocked mobility in the labor market (Saxenian 1999) or racist exclusion (Ram 1984), or they zoom in on immigrants' cultural endowment for entrepreneurship (Metcalf, Modood & Virdee 1996; Werbner 2000), their social embeddedness (Lee 1999; Light 2000; Waldinger 1996b; Yoo 1998; M. Zhou 1992), or combinations of their mobilization of various resources (Light & Gold 2000; Yoon 1997).

In the past, efforts have been made to combine structure and actor-oriented approaches. *Ethnic Entrepreneurs* by Waldinger, Aldrich, Ward and Associates (1990) is probably the best-known example, if only because it is the product of collaboration by prominent international researchers. The authors argue in favor of a more integrative approach that places ethnic entrepreneurial strategies somewhere at the crossroads of group characteristics and the opportunity structure. As such their *interactive model* combines ethno-cultural and socio-cultural factors (agency) with politico-economic factors (structure). According to the authors, the latter entail market conditions (particularly access to ethnic/non-ethnic consumer markets) and access to ownership (in the form of business vacancies, competition for vacancies, and government policies). This interactive model is appreciated as an important step towards a more comprehensive theoretical approach, even though it is more of a classification than an explanatory model. However, it has also been subjected to criticism. Its shortcomings included the methodology (Light & Rosenstein 1995), the lack of attention devoted to gender issues (Collins et al. 1995; Morokvasic 1993), the insufficient attention to processes of racialization or the dynamics of class (Collins et al. 1995), the *a priori* categorization of immigrants as ethnic groups (Collins et al. 1995; Rath 2000b); the concomitant assumption that immigrants as ethnic entrepreneurs act differently than mainstream entrepreneurs (Rath & Kloosterman 2000), and the narrow and static way economic and politico-regulatory factors are dealt with (Bonacich 1993; 2000b). In the light of the model's integrative pretensions, the latter is particularly striking. The authors conceive market conditions in terms of the ethnicization or de-ethnicization of consumer markets, and confine politico-regulatory factors to a short list of laws and regulations that specifically apply to immigrants. This is not very sophisticated.

Theoretical development has continued and oddly enough this has led to a convergence of approaches to issues of *social embeddedness*. Many of students of immigrant entrepreneurship, especially in the U.S., are indeed fervent adherents to a version of economic sociological thought that focuses on the entrepreneurs' social networks and impact on entrepreneurship. Instead of elaborating on the dynamics of agency and structure, they more or less take the political economic structure for granted (or at best pay lip service to analyzing it) and confine themselves to refining agency matters. This narrow focus reveals a tendency towards reductionism and is a *de facto* renouncement of the integrative model.

The *mixed embeddedness* approach is more appropriate for our purpose, since it relates social relations and transactions to wider political and economic structures (Kloosterman & Rath 2001 and forthcoming; Rath 2000a and 2002b). This sensitizing concept acknowledges the significance of immigrants' concrete embeddedness in social networks, and conceives that their relations and transactions are embedded in a more abstract way in wider economic and politico-institutional structures.

The first building block refers to the embeddedness of entrepreneurs in social networks and their capacity to mobilize them for economic purposes. These networks enable entrepreneurs to reduce transaction costs as to acquiring knowledge, distributing information, recruiting capital and labor and so forth by eliminating formal contracts, offering privileged access to economic resources, and providing reliable expectations as to the effects of malfeasance. It is likely that most entrepreneurs have a mixed and gendered network comprising co-ethnics, other immigrants and mainstream people, and that these networks change over time. Social capital is unequally distributed among multifarious social groups, is connected to cultural, human and financial capital, and is the product of the interaction of structural factors such as migration history and processes of social, economic and political incorporation in the mainstream as well as their spatial variations. The impact of social capital is contingent on the goals pursued and the political and economic forces at work.

Different markets offer entrepreneurs different opportunities and obstacles, demand different skills, require the mobilization of different parts of their social network, and lead to different outcomes in terms of business success or at a higher level of agglomeration, an ethnic division of labor. The structure and dynamics of markets, including processes of global restructuring, deserve profound attention and therefore constitute the second building block. Engelen (2001), elaborating upon the work by Max Weber (1968; see also Swedberg 1994 and 1998), identifies a number of market dimensions that should help us understand and explain the sorting out of specific groups and individuals. Apart from the degree of social embeddedness, and the mode, level and object of regulation (to be discussed later), Engelen distinguishes the objects of trade, the subjects of trade, the structure of the market, its level of institutionalization, and the locality of the market. These dimensions basically address the who, what, how and where of economic transactions. Together they determine the potential competitors within a market and the conditions under which transactions take place. Drawing distinctions between these dimensions helps illustrate that markets are not given, but are products of human action and that their emergence involves economic, social and political determinants. Some markets have low entry barriers and are quite open to newcomers, while others are less accessible, and this helps explain why starting entrepreneurs with only limited resources enter low barrier markets. The proliferation of immigrant entrepreneurs in the lower tiers of the garment industry has often been approached in this way. However, the ethnic division of labor is not just the result of the specific way in which starters enter the market, as entrepreneurs may move around, go up-market, or may break into entirely new markets. The odds of this occurring are contingent on the presence or absence of entry barriers of those markets, but also on the growth or shrinkage of the markets in which entrepreneurs operate over time (Kloosterman & Rath 2001a).

The dynamics of markets are contingent on processes of regulation or governance. This will therefore be the third building block. Regulation should not be confused with legislation *per se*, as there are also (financial) incentives and disincentives and various forms of persuasion (Engelen 2001). Nor should regulation be confused with state regulation. Next to local, national or international governmental agents, a multitude of agents play a role in regulation processes, such as unions, quangos, non-profit organizations, voluntary associations, and individual and their social networks. It should be noted that even in cases where legislation *per se* seems non-existent or is conveniently put aside, as might be the case in the informal and criminal economies, economic

transactions by individuals are still regulated in one way or another (Epstein 1994). And even in cases where legislation does exist, one must not forget the fundamental difference between rules and the enforcement of rules. It is, moreover, clear that regulation is not just a matter of repression and constraining, but also of enabling. Suppressing illicit practices such as dodging taxes and labor and immigration laws by prosecuting the perpetrators are important manifestations of regulation (repression), but so are decisions to tolerate these practices and not prosecute them. The plethora of business support programmes also constitutes forms of regulation. It is important to understand that regulation does not only occur in advanced welfare states, but also in lean welfare states such as the U.S. In this country, the government has supposedly less means to regulate economic life, but economic life in the land of the free is severely dogged by litigation. In addition, the federal government regulates markets by its relatively open immigration programmes for professionals and businessmen, as the proliferation of immigrant money-makers in Silicon Valley shows (Saxenian 1999). Anyway, all across the world markets are always regulated in one way or another, even if the form and level of regulation might vary.

Let us now undress the garment industry in the seven cities and assess the general and specific configurations of social, economic and political structures in effect.

### ***SEVEN CITIES***

A number of considerations have led to choosing Paris, London, Birmingham, Amsterdam, New York, Miami and Los Angeles. The cities represent the immigrant garment industry in different historical stages and in different stages of the industry's life cycle. Furthermore, the cities are located in various welfare states representing different regulatory contexts. Besides, the cities and countries where they are located are part of different economic regions. Lastly, the development of the garment industry in these cities has been closely connected to the presence of immigrants. Each garment city has a characteristic history with different groups of immigrants playing different roles in different historical periods. This is important as it puts the current experiences in a historical perspective and, in doing so, sheds an interesting light on the explanations that are *en vogue* today.

In Paris, there was an immigrant presence in tailoring back in the 1840s, particularly of Belgian, German, Italian and Swiss women (Green 1997 and 2002). Eastern European Jews began flocking into the Parisian rag trade in the 1880s, and Armenians and Jews from Turkey arrived in the period following the break up of the Ottoman Empire. In the 1950s and 1960s, with the decolonization of parts of North Africa, a third wave of Jews moved into the garment industry, especially from Tunisia and Morocco, and a new generation of Armenians arrived from Turkey, Lebanon, and Iran. From the early 1980s on, Turkish entrepreneurs began to appear near the Sentier garment district, as did Serbs from Yugoslavia, Kurds from Turkey, and Chinese immigrants from Cambodia, Vietnam, Thailand, Hong Kong, and mainland China. The most recent arrivals to the garment industry have been Pakistani, Sri-Lankan, Maurician (mostly of Indian origin), and African (Senegalese and Malians).

The role of immigrants in the London garment industry can be traced back to the seventeenth century, when Huguenot exiles set up tailor shops (Panayiotopoulos & Dreef 2002). In the late nineteenth century London, like Paris, became the home of numerous Eastern European Jews who opened small garment factories. Later Greek Cypriots, small pockets of Turkish Cypriots and Bengali immigrants succeeded these Jewish entrepreneurs, the Bengalis particularly in the leatherwear sector. This happened despite the central government's attitude in the 1960s and 1970s that textile and garment manufacturing constituted a 'sunset industry' destined to decline. More recently, ethnic Turks and Kurds from Turkey entered the sector and became associated with Turkish Cypriots.

The situation in the West Midlands, approximately 100 miles north of London, was somewhat different (Ram 1993; Ram, Jerrard & Husband 2002). In the 1970s, after the decline of the smokestack industries, the British West Midlands went into a deep economic recession. The clothing industry did not amount to much until immigrants started to open small garment workshops (see also Phizacklea 1990). These immigrants, mostly from India and Pakistan, had been made redundant on the labor market, partly due to racist exclusion, and their only option was self-employment. In a way, their enterprises were born under a lucky star, since London garment manufacturers were looking for cheaper and more flexible modes of production at the time. Farming out to local contractors was precisely what they needed.

Eastern European Jews and Westphalian Catholics gravitated to the Amsterdam textile and garment industries in the nineteenth century (Raes 2000; Raes et al. 2002). Continuous immigration from such countries as Russia and Poland procured a steady influx of new immigrants, particularly young Jewish women, who were employed to do the needlework. The sector suffered a near fatal blow in the Second World War, when many Jewish entrepreneurs and workers were deported to concentration camps and did not return. In the post-war period the Jewish niche was only partially re-established, and the local industry declined until immigrants from Turkey revived it. There were ethnic Turks, Kurds, a few pockets of Armenians, and to a lesser degree immigrants from Egypt, India and Pakistan. After the collapse of the immigrant garment industry in the mid-1990s, no other immigrant group has emerged as their successor.

The dominance of New York City over the American garment industry emerged in the nineteenth century, largely due to the role of immigrants (Green 1997; Waldinger 1986; Y. Zhou 2002). Earlier immigrants, particularly Russian and Eastern European Jews, laid the basis for the organizational structure of today's garment industry in the Big Apple. At the turn of the century, Italians got involved in the sector. Chinese and Dominican groups have succeeded them since the 1960s.

The garment industry in Miami, Florida, has developed as a kind of auxiliary branch of New York (Grenier & Stepick 2002). Manufacturers from New York, primarily Jewish, tried to escape the impact of unionization and the new female workers from Cuba in south Florida in the early 1960s funneled them to Miami. The emergence of a Miami garment industry also provided opportunities for Cuban entrepreneurs who entered the sector as contractors hiring a predominantly Cuban work force. Over the years, the work force changed as Cuban seamstresses left the sector. Entrepreneurs were reluctant to hire Haitians and African Americans, and by the late 1980s newly arrived Central and South Americans replenished the supply of women.

In Los Angeles, California, Asian and Latin American immigrants have largely replaced ethnic whites, particularly in the wake of the Immigration and Nationality Act of 1965 (Light & Ojeda 2002). As a result of its access to immigrant labor, Los Angeles has passed New York City as the garment manufacturing capital of the United States. Today Asian (especially Korean), European and Latin American entrepreneurs hire Mexican and Central American seamstresses (Bonacich & Appelbaum 2000).

It should be noted that Paris, London, Birmingham (the Midlands), Amsterdam, New York, Miami and Los Angeles differ sharply in terms of surface area and population, and the size of the local economy in general and the garment industry in particular. The City of Amsterdam, to mention one extreme, is the Dutch capital and with approximately 730,000 residents the largest city in the Netherlands. But compared to Los Angeles, Amsterdam is an insignificant provincial town. This still holds true even if the focus is expanded to include Greater Amsterdam, which has just over a million residents (Gemeente Amsterdam 2000). The five-county Los Angeles region covers a vast area approximately one and a half times the size of the Netherlands and with almost as many residents (14.5 respectively 16 million) (Allen & Turner 1997; Waldinger & Bozorgmehr 1996). It

can easily take an hour and a half or even more to drive from one part of Greater LA to another, depending on traffic, but someone who starts in Amsterdam would cross the Belgian or German border by then. Paris, London and New York are more compact than Los Angeles, but still way larger than Amsterdam or Birmingham. These spatial dimensions affect the size of the local garment market, which in turn influences the opportunities for small garment firms. Garment and textile manufacturing in Los Angeles County alone amounts to \$28 billion, which is almost a tenth of the total economy. At its peak in the early 1990s, Dutch garment manufacturing amounted to NLG 2.3 billion, thus roughly \$1 billion, including informal production. These differences, to be sure, underscore immense quantitative differences in the opportunity structures.

Despite the differences, it is obvious that the cities have long functioned as immigrant hubs. Immigration increased dramatically in the 1950s and 1960s following the break up of the French, British and Dutch colonial empires and the influx of guest workers in Europe, and the 1965 changes in the American immigration laws. These processes have continuously altered the ethnic make-up of the urban population, as is reflected in the economy in general and the rag trade in particular. Since the late 1950s and 1960s, when the sector was in decline in most cities due to restructuring, large numbers of immigrants have entered the sector and halted or even reversed the decline. In Paris, London and New York, the involvement of immigrants boiled down to what Waldinger (1996b) calls 'a game of ethnic musical chairs'. In other cases, there is not much evidence of ethnic succession (cf. Rath 2002a). Still, all the cases demonstrate how the industry has been affected by the input of immigrants. At a juncture when deindustrialization is a buzzword, the resilience of the SME sector in garment manufacturing obviously stands out.

The garment industry tends to be spatially concentrated. Most Amsterdam retailers operate from the World Fashion Center in the western part of the city. The center, consisting of tall office buildings, confirms in brick the existence of a conglomerate garment industry in the city. It operates in much the same way as the garment districts of Los Angeles and New York, the London boroughs of Tower Hamlets, Hackney, Islington, Haringey and Westminster (wholesalers) and the borough of Hackney (manufacturing), and the Sentier neighborhood in Paris. This conglomerate includes designer houses, fashion institutes, fabric and accessory suppliers, manufacturers, contractors, distributors and marketing firms. There is an extensive web of information and exchange networks central to the industry that help lower transaction costs. The Manhattan fashion between Sixth and Ninth Avenue from 35<sup>th</sup> to 41<sup>st</sup> Street has become a magnet for a variety of garment-related activities. Y. Zhou (2002) argues that this spatial proximity facilitates and encourages a particular division of labor, which gives the New York fashion industry flexibility and efficiency. She also notes though that numerous garment factories are moving from Manhattan to Brooklyn. It is not clear yet how this will affect the opportunity structure of the garment contractors.

At the end of the 1990s, the garment industry was still the number one manufacturing sector in New York. In 1998, 132,900 people were employed by fashion-related firms, from designing to retailing in the five-borough area, most of them in garment manufacturing. Garment and textile manufacturing firms together accounted for almost a third of the manufacturing firms in the city. An estimated 30 to 40 percent of the sewing shops had immigrant owners, 30 to 40 percent of whom closed down or changed their names in the first year. Los Angeles outperformed New York as the garment manufacturing capital of the United States around 1989 and this was mainly as a result of its superior access to (illegal) immigrant labor (Light & Ojeda 2002). In the mid-1990s, when garment industry employment in the United States declined by 17 percent, the number of garment manufacturers and contractors in Los Angeles County increased by 15 percent, expanding the number of jobs by 40 percent to roughly 140,000. Low estimate suggest that the LA garment sector included 5,070 firms. In London, the garment industry continued to have a significant presence despite the relocation of part of the garment production off shore or to regions in the United Kingdom like the West Midlands in the face of high unemployment a few decades ago. In the late

1990s, approximately 2,500 small firms in the London garment industry employed an estimated 30,000 predominantly female workers. In the West Midlands, many small garment factories had emerged since the mid-1970s. They were predominantly Asian-owned and mainly operated at the lower end of the market. There were about 500 of these firms in the area. In Amsterdam, between 1980 and the early 1990s, numerous mainly Turkish immigrants set up approximately a thousand small sewing shops, employing roughly 20,000 workers at the peak, and contributing to a temporary resurgence of the SME sector in the Dutch garment industry. Paris and Miami experienced similar developments.

The figures are impressive but their real significance is hard to assess. First, the actual situation is unclear because there are so many informal workshops and home workers. They circumvent or evade the official legal requirements, resulting in an unknown level of unreporting and unrecording. Secondly, the manufacturing of garments in advanced economies is subject to great pressure, for example from globalization, leading to ruthless competition with local and international producers. Under those unfavorable conditions, entrepreneurs are quick to close shop, or are forced to do so due to violations of the law. All this contributes to an extraordinarily high fluctuation rate. The extreme case of Amsterdam shows that it is technically possible to wipe out a substantial number of contractors within a matter of months. The point is that a thousand firms seemed like a lot in the Lowlands, but in the bubble economy of the rag trade, they vanished in no time. This illustrates their vulnerability as well as the arbitrary nature of the figures. Thirdly, the figures are not self-evident but contingent on local conditions. The 500 firms established in the West Midlands only represent 20 percent of the total number of firms in London, and less than 10 percent of the total number of firms in Los Angeles. Still, in the local context of inner Birmingham, Smethwick, Coventry, Wolverhampton, West Bromwich and Walsall, this figure means a lot, and this is even truer of the Asian communities that have entered the sector. In short, figures only make sense if they are linked to the specifics of the local situation.

Garment factories are often described as small family businesses or firms critically dependent on the family labor input, but in practice there are also large businesses with workers from a variety of immigrant groups. In essence, there is no typical immigrant garment factory. In some cities, particularly the ones with a long and uninterrupted history of immigrant involvement in the sector, a pronounced differentiation of immigrant businesses has evolved. A small and marginal garment contractor can become a large manufacturer operating as a micro multinational company and giving orders to newer small contractors. This process sometimes takes more than one generation, as in the case of Greek Cypriots in London or the Jewish entrepreneurs in Paris or New York City. In other cases, immigrants moved up more rapidly, as did the Asian entrepreneurs in Los Angeles. In other cases again, this process hardly occurred at all, because law enforcement agencies put a stop to further development or the market failed to provide sufficient scope for it, as in the cases of Amsterdam and the Midlands. A few dozen perceptive Turkish entrepreneurs nevertheless saw their chance and relocated their activities from Amsterdam to Turkey where they opened large factories.

### ***SOCIAL NETWORKS IN A CHANGING LABOR MARKET***

Social networks are obviously important in explaining the formation of immigrant niches as well as individual entrepreneurs' everyday management, even if they do not always account for how the first immigrants found their way to the garment industry. But networks are not the whole story (Green 2002). In addition to social networks, the limited skills and low capital needed to get into the business and the poor options in the larger labor market account for the continuing influx of immigrants to an industry characterized by cutthroat competition and difficult working conditions.

Immigrant garment entrepreneurs have exhibited multifarious labor market careers, but most start as wage laborers and become self-employed at a later stage. The specifics of their migration



history and entrance in the host society's economy are crucial here. Immigrants did not move initially to Amsterdam or Birmingham because of the garment industry. Immigrants flocked into these cities because other industries offered them job opportunities and in the Dutch case because they were recruited from their home country to do temporary work. Only when these industries declined and numerous workers were laid off, did the garment industry emerge as an option. However, not all the entrepreneurs took this route and their entrepreneurship thus illustrates different path dependencies. Apart from a small number who migrated with the explicit purpose of setting up shop in the garment sector, such as the Indian and Pakistani wholesalers in Amsterdam, many garment entrepreneurs started as wage laborers employed by a garment firm. Newcomers were all too willing to become machinists, cutters, ironers or general garment workers. Information about job opportunities was widely available in the communities, and was spread by word-of-mouth. These social networks extend over long distances and across borders. In Amsterdam some garment workers from Turkey were explicitly recruited by co-ethnics to perform skilled tasks. Elsewhere, the very existence of clusters of ethnic enterprises fosters new international migration. Once they have been hired, these newcomers often turn out to be apprentices. Although some of the workers were tailors at home or had some other experience with sewing, sewing *and* contracting are generally learned on the job. After a while, a number of workers resign from their jobs to set up their own factory. This process eventually contributes to the mushrooming if not supersaturation of small sewing shops in a hyper-competitive environment.

In a number of cities, notably New York, LA and London, intricate class-based network differentiations can be observed. Y. Zhou (2002) describes how Jewish and Italian immigrants in New York were able to achieve upward mobility by mobilizing their social networks, and argues that this is no longer feasible for newer immigrant groups, since the industry has matured. The garment industry in the Big Apple has evolved into a sophisticated specialized network characterized by a multi-tier system. The upper tier is dominated by established native-born capitalists, many of whom are the descendants of Jewish or Italian immigrants. They constitute a tier of college-educated manufacturers, jobbers, and retailers well embedded in the industry. The lower tiers tend to consist of newer immigrants without educational qualifications, proficiency in English, and the right social connections, who have been relegated to work as contractors, subcontractors, and small manufacturers of various sorts. The upper tier has the profits and the prestige of the fashion industry, and the lower tiers are faced by fierce competition and low profits.

Immigrant groups in the rag trade are often portrayed as exhibiting high levels of gender segregation: Asians in the Midlands, Greek Cypriots in London, Chinese in Paris and New York, Latin Americans in Los Angeles and Miami, and Turks in Paris. This in part informs a gender specific use of social networks as well as a gender specific division of labor on the shop floor. Most immigrant entrepreneurs are male, and most of the sewing shop workers are female except in Amsterdam. Women are employed as machinists or general workers and do unskilled or semi-skilled work. Immigrant entrepreneurship researchers commonly explain the role of women in cultural terms: ethno-cultural moral codes and practices funnel immigrant women to what seem to be sheltered sectors of the economy, where these codes and practices are respected. The steady supply of reliable labor, allocated through co-ethnic and familial ties, gives immigrant entrepreneurs a competitive edge. Phizacklea (1990), however, abandon these culturalist explanations and argue that the position of immigrant women in the rag trade needs to be viewed in a broader context of racism and sexism. Until 1988, racism and sexism were part and parcel of the British immigration legislation that treated women as dependants of men. Most women either entered the UK to join their family or on a voucher sponsored by a relative in business. According to Phizacklea, this legislation helped perpetuate the cultural stereotypes of Asian women as weak and passive, thus lessening their chances in the general employment market, and has exacerbated their dependency on employment in sewing shops run by their family members or co-ethnics. Incidentally, Ram et al. (2002) assume that second-

generation Asians are more intent on pursuing professional careers than perpetuating the small business tradition of their parents.

Things turned out differently in Amsterdam, where the entrepreneurs and workers were predominantly male. The specific history of illegal migration from Turkey to the Netherlands and specific features of the Dutch welfare state account for the limited role of Turkish women in Amsterdam. The city had a large reserve of undocumented immigrants from Turkey, predominantly relatively young men. This gender-specific aspect was echoed in the workforce at the Turkish sewing shops and in the population of Turkish entrepreneurs. In principle, Turkish entrepreneurs could recruit workers, male and female alike, from the ranks of the settled population. However, these legal immigrants were not willing to accept an unpleasant job at sewing shops. If they were unemployed, the Dutch welfare state provided them with relatively generous benefits, which mitigated the need to take up any job. This is an example of how regulation affects the mobilizing power of social networks and the division of labor in the garment industry.

Ethnic or familial networks can be instrumental in forging business connections, although the cases of Amsterdam and New York show that a strong reliance on these networks can also be detrimental. Developing stable relationships with mainstream retailers appear to be more rewarding. This supports the argument that economic transactions are embedded in social relations, albeit that these relations are not necessarily ethnic or familial. There is strong evidence that ethnic or familial networks serve as an infrastructure to collect capital and recruit, train and discipline labor. The reliance of entrepreneurs on familial or ethnic ties rather than formal recruitment processes obviously affects the workplace regime in various ways. Most authors note that people who are well trusted, especially family members, perform key tasks such as bookkeeping, maintaining relations with jobbers, and planning production. This also holds for tasks that require special skills such as cutting. Allocating these tasks to core network members, often men, allows the manager a certain degree of control over the production process, as these workers tend to be loyal. Garment entrepreneurs in London, the West Midlands, or LA do prefer to recruit workers from their networks, or at any rate from their own ethnic group, but in practice, this is not always possible: the supply of cheap and flexible co-ethnic labor for garment factories is depleting, since immigration regulation have been tightened and youngsters tend to prefer other jobs. However, the case of LA also shows that Asian entrepreneurs can continue to rely on immigrant networks as long as Latin American immigrants, legal and illegal, keep flocking to Southern California.

By way of conclusion it could be argued that an importance difference between the cities is related to the link between the immigration history of particular groups and the development of the garment industry. In Paris, London, New York and Los Angeles, some of the more successful entrepreneurs among the older immigrant groups constituted a strong presence in the sector. They achieved upward social mobility but could no longer rely on co-ethnic and familial social networks, and needed to start recruiting from other groups. In some cases, such as Paris, New York, Los Angeles, Miami, and to some extent London, the entrepreneurs tapped the social networks of newer immigrants, leading to a sharp rise in the numbers of multi-ethnic workshops. But in Amsterdam and the Midlands, this was harder to accomplish and the entrepreneurs faced serious survival problems. However, these problems were primarily generated by regulatory matters.

## ***MARKET DYNAMICS***

Economic restructuring has severely affected the garment industry ever since the Second World War. Like many other old manufacturing sectors, the garment industry rationalized production and relocated part of the production to sites outside the traditional economic nodes, particularly high unemployment areas in the interior and low wage countries. This coincided with changing fashion cycles, fragmented consumer tastes, and the breakdown of economies of scale. Until the 1960s, the

market was characterized by slow fashion changes and was quite predictable, but today the collections are constantly changed. Rapid fashion cycle changes, small and fragmented demands, and short lead-times do not mesh with the economies of scale associated with Fordist mass production, and have created ample opportunities for nearby small garment factories. These producers supply small batches at short notice, which enables retailers to respond quickly to fashion changes or unexpected rises in the demand for particular garments. Together, these processes have expanded the local systems of subcontracting which involve a multitude of small contractors and home workers. In itself, there is nothing innovative about putting out. As Green (1997) convincingly shows, these systems with their characteristic chains of dependence were already around in the early days of the industrial era.

The international link is clearly very important, albeit in a specific local way. Contractors in the U.S. do not have to face competition from producers in North Africa, Turkey or Eastern Europe. They are however operating in a market with contractors in the Mexican *maquiladoras* and offshore contractors in Hong Kong and elsewhere in the Pacific Rim. Globalization—a convenient term to describe the internationalization of economic relations—is an overstatement, since in reality the scale of transactions is far less global. Economic transactions rarely cover the entire globe and are usually restricted to certain regions, countries or even districts, depending on the regional or local conditions. As for that, Light & Ojeda (2002) argue that the success of the Los Angeles garment industry is contingent on the availability of a cheap and flexible immigrant workforce, and on Hollywood's worldwide visibility. Without the cinematic visibility, which lends prestige to California Look clothing, the Los Angeles garment industry would never have developed as it did, and would have declined strongly with the passing of the North America Free Trade Agreement. Other cities obviously have no such appeal. In fact, the British Midlands evoke images of dirty smokestacks in leaden skies rather than the glitter of tinsel town and the pleasures of sunny California.

The role of manufacturers and retailers is of key importance. Large retailers—such as Macy's, the Gap, Nordstrom's, and K-Mart in the U.S.; Vendex/KBB, C&A and P&C in the Netherlands; and Marks & Spencer and two other leading chain stores in Britain—account for a substantial part of the total garment sales and, with the exception of the Gap, which manufactures and produces its own clothing, the garment production as well. The fact that these large retailers order large quantities of garments from independent manufacturers and contractors enables them to build up considerable corporate power. Garments constitute a buyers' market where large retailers use their power to their advantage and play contractors off against each other. During the last few decades, large retailers and manufacturers have improved the management of the production and marketing process and this has continuously affected the opportunity structure of small contractors. Zero stock control, made possible by modern technology, and computerized logistics have increasingly allowed retailers and manufacturers to improve their control over the production process, even if some parts of the production takes place off shore. In the case of Amsterdam, this eventually undermined the market position of most of the Turkish contractors.

Immigrant contractors only rarely if ever produce army uniforms or *haute couture*. Instead, they specialize in lower to medium quality, fashionable or medium fashionable outerwear, in particular women's and junior outerwear. In some cases, especially in Los Angeles, they also specialize in sportswear. Los Angeles sells the California Look, not just cheap clothing. In Amsterdam, before market conditions start deteriorating, garment contractors accepted orders in the less fashionable market segments or engage in other activities such as wholesaling or import-export. In London, some of the Greek Cypriot entrepreneurs developed new products or even a new brand, which resulted in a considerable price mark-up. A more widespread technique however was design pinching, using the latest fashion designs without paying for them. It is evident that these illegal practices are a source of friction, especially if contractors go as far as to pinch actual samples of the

manufacturer's designs. Contractors also engage in 'cabbage sales'. Cabbage is essentially an official or unofficial 'allowance' that the contractor squeezes out of the cloth and the design provided by the manufacturer. These small batches are then sold privately to small retailers or individual customers and constitute a source of extra income. Of course, cabbage sales are only possible if the contractor can do the cutting, which is thus an important item in the negotiations with the manufacturer. Incidentally, this seems to be typical of London. In most cases, cutting is part of the service supplied by jobbers.

### ***MODELS OF REGULATION***

Regulation influences the opportunities immigrant entrepreneurs have in various ways and come as complex packages of do's and don'ts, incentives and disincentives, and persuasions. Governmental and non-governmental regulation alike affect the opportunity structure at various levels.

At the supranational level, there are various forms of governance. In Europe, a more protectionist mood with regard to imports prevailed in the early 1980s, especially under the second Multifibre Arrangement. However, this mood changed in the 1990s and steps were taken to liberalize the market. The European Union played a key role, granting additional import rights to specific non-member states. Mediterranean and Eastern European non-members benefited from this change of policy and became major competitors of local garment contractors in Britain, France and the Netherlands. Likewise, the North American Free Trade Agreement encouraged the relocation of garment factories to Mexico, which harmed the garment industry in the U.S., though local conditions in LA mitigated its negative effect. All these supranational arrangements influence the international division of labor and augment regional economies. Together they help shape the immigrant contractors' opportunity structure.

National and local governance generally influence the garment entrepreneurs' opportunities more directly. In each case a general trend can be observed toward market liberalization. On both sides of the Atlantic, first in the United States and Britain and later also throughout the European continent, governments have cleared the way for free enterprise. The reassessment of the rules and programmes governing the economy has resulted in deregulation—tax reduction and the abolition of business licensing requirements being only a few examples—and new programmes stimulating small entrepreneurship. These changes largely coincided with the revision of the welfare state and the role of the government in public life. Notwithstanding the similarities, each country and in the United States each state dealt with this in a different way depending on local political conditions. Various actors are involved in political struggles about regulation, each advocating certain political goals, engaging in different political coalitions, and accomplishing sometimes contradictory outcomes over time.

A closer review of the actual regulation in our seven cases reveals striking differences that can be reduced to three basic models of regulation. The models differ in terms of the formal rein given to small immigrant businesses, the implementation and enforcement of the regulation, and the immigrant entrepreneurs' position in the political arena. The first model typifies a situation of ignorance, the second a situation of active public support, and the third a strict application of non-permissive regulation. Of course, the local situation is much more complicated than this simple description of idealtypical situations suggests. After all, regulation is not static, it is not in the hands of a monolithic entity, and it certainly is not without contradictions. Still, I believe this typology can enhance our understanding of immigrant entrepreneurship in the garment sector.

#### **Ignorance**

The first model is illustrated by Los Angeles and characterized by a great deal of ignorance on the part of the regulatory agencies, despite the political fuss in the early and mid-1990s. In an effort to

improve labor code enforcement, California passed the Montoya Act in 1982, requiring garment contractors to register their factories. Since then, registered firms have been subject to unannounced state inspections, but non-registration is still widespread and so are labor code violations. In practice, a rather lax mood prevails as to the regulation in the Californian rag trade, allowing garment entrepreneurs to violate rules and regulations or, more specifically, to hire undocumented workers under extremely bad conditions.

Some might argue that this is keeping with the spirit in the land of free enterprise. This spirit is thought to inform a conception of economic citizenship where tasks and responsibilities are assigned to private individuals rather than the state, and governmental interference only serves to frustrate economic growth. This argument is evidently simplistic, if only because there *are* formal rules. Arguments of this kind nevertheless inform a cultural resistance to law enforcement. Moreover, violations are overlooked on the assumption that the industry engages in self-regulation. Next to this, jurisdictions are jumbled and several authorities share the responsibility for law enforcement, a situation that enhances an administrative culture of ignorance or even bribery. In fact, Light & Ojeda (2002) hold the corruption of the political system accountable for the blatant non-enforcement of laws. The garment industry, especially the larger companies, constitutes a political lobby that donates campaign funds to California politicians, something that is legal under American law. In return, elected neo-liberal politicians have reduced the law enforcement staffs to below the minimum required for effectiveness. In the light of this, one must well say LA's regulatory model is only ignorant when it comes to the interests of small contractors and workers, since it so clearly serves the interests of powerful garment manufacturers.

Negligence towards the interests of the weaker actors in the sector has provoked an unintended backlash. Growing numbers of legal and illegal immigrants who do poorly paid and unhealthy work and have no health insurance have turned to public emergency hospitals for free medical care, and this has imposed high costs upon the tax-payer. In effect, tax-supported hospitals subsidize the health care of the garment industry's immigrant workers. There is a similar situation in the educational system. Illegal immigrants send their children to public schools, thereby increasing the costs of the system. This became a public issue in 1994 when the Republicans tried to capitalize on a growing anti-immigrant backlash in the white electorate. Until then, leftist political attacks could not change the governance of the garment industry, but the right wing's resentment of illegal immigrants using public money reinforced the campaign for stricter regulation. This corroded the political tolerance of the widespread informal practices and pressured employers to actually pay the increased minimum wage and comply with the labor code and industrial health and safety legislation. The new law enforcement regime, effective as of 1996, detrimentally affected the competitiveness of LA's garment industry, even though it is still far from perfect. This suggests that a period of sheer ignorance has come to an end.

In this connection, Los Angeles, New York City and Miami have many features in common. Garment manufacturing could thrive as a result of the favorable immigration regime allowing for a continuous influx of new immigrants, and the ample tolerance of informal practices. What distinguishes New York, however, is the role of organized labor. Through the unions, garment workers exert a certain extent of political clout. This influences the negotiating position of the employers and gives them less scope for blatant exploitation than in Los Angeles' outlaw economy. New York does not completely fit the model of ignorance. That being said, it is reported that a growing part of the immigrant garment sector does not fall under union control. A similar situation can be observed in Miami, where the garment industry was traditionally unionized, but where unionization was affected by economic restructuring.

The New York garment industry, like the ones in LA and Miami, has been subjected to federal government efforts to regulate the sector. In the mid-1990s, the proliferation of sweatshops was the target of growing public criticism, particularly when more and more cases of abuse were

disclosed and Kathie Lee Gifford, a popular talk show hostess, publicly expressed her abhorrence of sweatshops when she was accused of having her own brand produced there. With public outrage mounting, U.S. President Bill Clinton set up a presidential task force in 1996 to work towards eliminating sweatshops. The White House Apparel Industry Partnership, consisting of companies, trade unions and human rights and religious groups, formulated a Workplace Code of Conduct. However, this voluntary partnership did not impose any new statutory penalties or launch any new enforcement efforts. In addition, key organizations such as UNITE, the AFL-CIO and a large union of department store workers rejected the code as a feeble effort to improve the sector. Y. Zhou (2002) states that the anti-sweatshop campaign did manage to deal with a number of violators, but non-union sewing shops continue to proliferate, especially in Brooklyn where many shops moved to escape these forms of regulation.

## Support

The second model of regulation is illustrated by London and characterized by strong and active state support for the SME sector in general and the rag trade in particular. Ever since Margaret Thatcher, the British government has strongly supported the small firm sector. A thriving small SME sector would help spread the capitalist ideology and way of life to the common people, and speed up the downfall of the loony left. Supporting small entrepreneurship was a characteristic Tory policy feature, but interestingly enough this has continued to be the case after Tony Blair's New Labor took office. This does not mean the government abstained from interfering before the rise of Thatcherism. On the contrary, in the face of the industrial decline in the 1960s and 1970s, the central government was actively involved in rationalizing the textile and garment industry in the Midlands and North Britain. But as of the 1980s, the central government put more emphasis on developing the SME sector.

The central government's business support is channeled through soft loans, training schemes, inner-city employment-related initiatives, and tax cuts of various kinds. In addition, the government has abolished or relaxed various business regulations. Controlling activities regarding working conditions, taxes and social insurance have not been entirely discarded, but the government does not give high priority to controlling and regulating businesses and has underfunded the inspectorates. Furthermore, the United Kingdom, like France and the Netherlands but unlike the U.S., pursues a policy of restricted immigration. However, unlike France and the Netherlands, immigration policy in Britain is generally implemented at the border, and only marginally throughout the country. Hunting undocumented aliens can easily amount to hunting 'foreign' or 'black' people, and that is forbidden under the 1976 Race Relations Act. Only after the mid-1990s, when illegality became a more politicized issue in Britain, did the central government intensify the checks and raids by immigration and tax officers.

These instances of regulation do not indicate that London and Los Angeles are that different. However, what distinguishes the two is the regulation implemented by the local government. In the early 1980s, local policy makers considered garment businesses a useful vehicle for promoting objectives ranging from more jobs to racial equality. They engaged in these policies in their efforts to combat unemployment, protect their constituency from the economic crisis, counteract racist exclusion, and empower the immigrant minorities. The social deprivation immigrant minorities were suffering was felt to be largely caused by racism, and the central government was thought to be insufficiently receptive to this serious problem. In response to a series of riots in the early 1980s, in particular the Brixton riots in 1981, a government committee chaired by the Tory Lord Scarman recommended promoting entrepreneurship as an antidote to urban racial deprivation. Given the characteristics of the London economy, promoting small entrepreneurship in the rag trade was a

logical choice. In these times of economic decline, the rag trade exhibited striking vitality, partly caused by a demand for higher value fashion, style and quality and quicker responses.

The Greater London Council (GLC) and several London boroughs such as Haringey and Hackney have actively fostered small businesses in the garment industry, and it is no accident that all of them were Labor-controlled. This policy was also a reflection of the realignment of local Labor Party politics, with minorities becoming more prominent, resulting in their increased political representation. The GLC and the boroughs formulated and implemented various measures aimed at collective services for the sector as a whole, but with special attention devoted to ethnic firms and co-operatives. The measures included de-criminalizing home working and easing planning regulations on the use of buildings.

The controversial GLC was abolished in 1986, and the boroughs ceased their special interventions as well. In the mid-1990s, after a decade of non-intervention, attention was once again directed to the rag trade, this time in the context of urban regeneration politics. The boroughs of Hackney and Haringey reserved urban regeneration funds for entrepreneurs. In Hackney, a garment-manufacturing zone was developed to promote flexible specialization and reinforce links between chain stores and local garment factories. These interventions lacked the strong ideological underpinning typical of the interventions in the early 1980s.

This specific regulation history is sensitively linked to the differentiation of immigrant entrepreneurs. A number of Greek Cypriots and other immigrant minority entrepreneurs were upwardly mobile and achieved a place in the higher tiers of the industry. These emergent manufacturers were in a stronger economic position, more integrated in the local host society, better embedded in community organizations, and better placed to benefit from state support. The local Labor Party accepted them as ready-made partners and some of them actually became major beneficiaries of local government support. At the same time, some of the more successful entrepreneurs operated as political brokers. They served as community representatives and intermediated with policy-makers. Their empowerment was a critical factor in re-shaping the relations between the garment entrepreneurs and the regulatory agencies and informed the selectivity of the regulatory response, be it promotion or repression, soft or strong action.

Notwithstanding the Labor Party efforts, utopia never materialized, and the London rag trade retained its sweatshop image. Although some garment entrepreneurs moved up and gained more political power, most contractors stayed on the fringes of the urban economy. This being said, the interventions did save a number of jobs and create a couple of hundred other ones.

The situation in Birmingham and the neighboring towns is rather different, which illustrates the role played by local contingencies. Entrepreneurs in the Midlands operate under the same national regulatory framework, but the local situation is more similar to the one in Los Angeles. Ram et al. (2002) argue that local interventions have been of a more symbolic nature and have not really affected the position of garment firms. Moreover, the political link between upwardly mobile garment entrepreneurs and the leading political parties has not been well developed.

#### Strict law enforcement

The third model of regulation is illustrated by Amsterdam after the *laissez faire* period, and is characterized by strict law enforcement (see also Dreef forthcoming). The situation before the crackdown in 1994, or actually before 1989, can easily be typified as one of ignorance. What makes the policy shift intriguing is that it goes in a different direction than the regulation of the SME sector in general. In the Dutch welfare state, until recently people could not start a business just like that, but were required by law to have qualifications and permits and to register. In the 1980s, this system—an artifact of corporatist and Social-Democratic features—came to be considered too rigid and an impediment to full economic development. The government embarked on a fundamental

reform of the system and much to the satisfaction of the business community, deregularization became the buzzword. The aim was to liberalize the business sector wherever possible and keep regulation to a minimum. The system of rules, qualifications and permits was cut down to the bone. The first effects became apparent in the mid-1990s, when the economy experienced a record growth, partly thanks to an unprecedented rise in the number of small businesses. To be sure, the employment and welfare field have undergone reforms, but not to the same extent as the business sector.

In the 1980s, when the business regulation system was still elaborate, new immigrant garment entrepreneurs increasingly failed to comply with the rules. The state, curiously enough, did not take a firm line on these informal activities. Apart from a few individual officials at the Ministry of Social Affairs and Employment who were concerned with the Amsterdam rag trade, the government as a whole did not really bother. This underlines the importance of distinguishing between rules and their actual implementation or enforcement. The local authorities were aware of the situation, but chose to tolerate informal practices, which underlines the importance of distinguishing between various levels of regulation. They felt that immigrants had high unemployment rates and the government could not provide sufficient jobs. The authorities welcomed any business that could create jobs and in doing so contribute to the social integration of immigrants, and perhaps also to the revival of Amsterdam as an international garment manufacturing center. They were prepared to put up with informal practices and assumed they were just a temporary problem. Stricter law enforcement would only serve to frustrate economic progress. The City of Amsterdam and the metropolitan police therefore prioritized hunting down criminals and illegal immigrants who were a nuisance to society rather than badgering diligent entrepreneurs.

This tolerant mood started to change at the national level around 1990. A new government took office in 1989 with welfare reform as one of its central policy objectives. However, the Labor Party feared social unrest, particularly among its grassroots supporters, and negotiated a political alternative: combating fraud, the improper use of welfare benefits and illegal residence would result in public spending cuts and lower the pressure for harsh welfare reforms. The Minister of Social Affairs and Employment considered the rag trade an obvious place to put this into practice. In anticipation of things to come, the sector was encouraged to engage in self-regulation and leading business associations introduced several programmes for this purpose, though to little avail. In 1994, a package of measures was introduced, one being the Law on Chain Liability. One of the direct consequences was the formation of an interdisciplinary hit-and-run team of law enforcers. The Clothing Intervention Team paid numerous visits to suspicious Turkish sewing shops and organized frequent raids, resulting in numerous people being charged with hiring undocumented immigrants, evading taxes and not paying social security premiums. This contributed to the downfall of immigrant contractors, who were already faced with increasing ruthless international competition.

The trade unions and the regular garment manufacturers association (FENECON) wholeheartedly welcomed the crackdown on the illegal sewing shops. After all, they had lobbied for strict law enforcement. The Amsterdam authorities, however, were initially unwilling to support the sector cleanup for the reasons mentioned above, and this caused friction with the central government. They eventually gave in and collaborated. Unlike the situation in London, where raids on undocumented immigrants led to social and political agitation in the local community, the events in Amsterdam did not cause any public outcry. The Turkish community did try to mobilize political forces, and a casual organization of Turkish garment entrepreneurs tried to promote the interests of the contractors, but they were insufficiently embedded in the local polity to make a difference.

Every now and then, cities engage in law enforcement campaigns, though usually not as vigorously as Amsterdam. The French government has cracked down on labor and capital practices in recent years, especially targeting 'creative accounting' and illegal labor. These regulatory



changes are often triggered by specific events and the rag trade seems to have no lack of them. In Amsterdam, the crash of a cargo plane on a residential district, killing a number of undocumented immigrants, helped the government gain popular support for its crackdown. In Los Angeles, the anti-sweatshop movement gained momentum in 1996 after a raid of a factory in El Monte where 72 Thai immigrants, mostly women, were working as industrial slaves in a guarded compound. Likewise, the American celebrity Kathie Lee Gifford weeping on television in the same period persuaded Bill Clinton to set up a presidential task force. The fact came out that some of her line of clothing was made in sweatshops in New York and Central America. Interestingly, or should I say sadly enough, the role of coincidences is not new in the rag trade. Panayiotopoulos & Dreef (2002) rake up the story of the United Kingdom's 1905 Aliens Act. Concerns about the social conditions of the London poor and the moral panic directed against Jewish immigrants informed the 'anti-sweating' campaign led by Liberal reformers, resulting in this act.

### ***LONG-TERM OUTLOOK***

Fluctuating styles, widespread subcontracting, homework, and the involvement of immigrants are part and parcel of the rag trade but this has been the case since ever it was mechanized and standardized in the late nineteenth century. This adds fresh fuel to the notion that the garment industry including the tier of immigrant contactors will continue to exist in advanced economies in one way or another. In the past, people felt that the SME sector was in jeopardy and assumed that garment manufacturing would relocate to low wage countries. In practice, however, small businesses have demonstrated striking resilience.

Around the beginning of the new millennium, the Los Angeles garment industry was still thriving in the face of adverse trends in other local garment manufacturing sectors and the national garment industry. They were nevertheless fully aware of the processes that had already harmed the Los Angeles garment industry. They noted that manufacturing industries in Los Angeles had generally been in decline for over three decades, that the garment industry had witnessed an outflow of production jobs to Mexico following the North American Free Trade Agreement in 1993, and that the federal minimum wage had increased and immigration controls intensified following a public outrage. The resilience of the sector had its origins in two local specific factors, one being the powerful image of California Look clothing, the other its access to (illegal) immigrant labor.

To begin with, we can refer to the intense international competition negatively affecting New York's garment industry. The market for clothing is losing its flexibility due to slow population growth, the aging of the population and so on. At the same time, deregulation and improved logistics have narrowed the time-space gap between domestic and offshore producers and this decreased the competitiveness of the domestic ones. Moreover, a market power shift to large retailers and the reduction of the local manufacturing sector have occurred, pressuring New York garment producers to focus on the higher-value-added products. They now go for more styles, higher quality and better services. It remains to be seen whether new immigrants can survive in such a harsh environment.

These cases demonstrate that the continuation of garment manufacturing in advanced economies is cannot be taken for granted—what with the general political and economic processes threatening the sector. Interestingly enough, they also underline that the perspective of small immigrant contractors is linked to local market characteristics, be it the cinematic appeal of the Californian Look or the Big Apple's accelerated life cycle of high quality fashion products. The cases of the British Midlands and Amsterdam, however, demonstrate that survival is not a matter of course, and that in some cases local market characteristics only help to accelerate the fall of the contractor sector.

Local market features obviously matter, but so does regulation. For a long time, immigrant contractors survived by capitalizing on their social networks. In doing so, they generated the arrival of new immigrants, legal and illegal alike, willing to work long hours. In addition to their privileged access to cheap and flexible labor, they had a competitive edge by dodging the rules and evading taxes. They could go on like this as long as law enforcement agencies overlooked these informal practices. Paradoxically, now that deregulation has become *de rigueur*, the tolerance for these practices is decreasing. In each country, a political mood has grown where thin regulation is regarded as necessary condition for economic growth. There is however also a growing public awareness that this sometime leads to excesses and fuels anti-sweatshop and crackdown campaigns.

The deregulation of business regimes has not been accompanied by the deregulation of immigration regimes. On the contrary, in Europe and the U.S. immigration, especially of unskilled immigrants, is tighter now that illegality is a political issue. Nowadays, there is a decrease in tolerance for undocumented immigrants and an increase in immigration controls, even though the controls are usually not as tough as in the extreme case of Amsterdam. Irrespective of the legitimacy, strict immigration controls have a detrimental effect on a sector dependent on cheap and flexible labor, usually new unskilled immigrants. They also undermine the power of network mobilization, especially if the pool of cheap and flexible labor is depleting. This is particularly apparent in the Midlands and Amsterdam.

To what extent immigration control will continue is still unclear. In Europe and the United States—popular resistance notwithstanding—debates are taking places about relaxing the tight immigration rules. Although immigration is a national or federal matter, local authorities sometimes take a position against immigration control, because they want to consider the interests of the local community. This too may contribute to the local variations in an otherwise globalized industry.

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## NOTES

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- <sup>1</sup> This paper is based on research done by the Institute for Migration and Ethnic Studies at the University of Amsterdam in collaboration with a group of international scholars. I would like to thank Marja Dreef, Nancy Green, Guillermo J. Grenier, Joy Husband, Robert Jerrard, Adem Kumcu, Ivan H. Light, Victoria D. Ojeda, Prodromos I. Panayiotopoulos, Stephan Raes, Monder Ram, Flavia Reil, Alex Stepick, Yu Zhou and Aslan Zorlu for contributing to this project. For more details, see Rath (2002b).
- <sup>2</sup> In this paper, the terms rag trade and garment, apparel and clothing industries are used as synonyms.
- <sup>3</sup> The West Midlands includes inner Birmingham, but also the smaller towns Smethwick, Coventry, Wolverhampton, West Bromwich and Walsall.
- <sup>4</sup> The exceptions are Morokvasic (1988a, 1988b, 1991b and 1993), Morokvasic, Phizacklea & Rudolph (1986), and Morokvasic, Waldinger & Phizacklea (1990). Green (1997; see also 1986) wrote an excellent book on the garment industry in Paris and New York, but this book focuses on labor rather than ~~on~~ entrepreneurship ~~per se~~. [as such](#). Bonacich et al. (1994) edited an interesting volume on the garment industry in the Pacific Rim. They cover many countries, but their work is not a ~~fully-fledged~~ [comprehensive](#) international comparison.
- <sup>5</sup> But this is no ~~iron law~~, [hard and fast rule](#), as M. Zhou (1992) demonstrates. She argues that many Chinese immigrants in New York's Chinatown start in the garment industry only to leave it at the first ~~available~~ opportunity. Their flight from the garment industry ~~is~~ ~~possibly~~ [might be](#) an indication of substandard conditions in the lower end of the sector.