



“Summary of article by M. Patricia Fernández-Kelly and Anna M. Garcia: Informalization at the Core: Hispanic Women, Homework, and the Advanced Capitalist State” in Frontier Issues in Economic Thought, Volume 4: The Changing Nature of Work. Island Press: Washington DC, 1998. pp. 202-204

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It may seem contradictory to observe that informal economies are growing in industrialized countries during the latter part of the 20th century. However, informal activities, such as sweatshops, unlicensed factories, and homework, are proliferating despite the focus on large-scale industries in the modern world system. This article examines two factors that have enabled informal economic arrangements to flourish in parts of the United States: the actions of state and federal government agencies, and the presence of immigrant women. Los Angeles and Miami, sunbelt cities with large Hispanic populations, appear similar, yet they exhibit very different patterns of industrial development, immigration, and insertion of new working populations into the labor force. In both cities the informal economy is thriving, but in different ways and for different reasons.

ECONOMIC INFORMALIZATION AND THE STATE

The informal economy is a fluid process involving investors, workers, and state agencies. Researchers do not agree on how to define or evaluate it, but for the purpose of this discussion four points should be highlighted. First, informalization is not a marginal phenomenon driven only by the survival needs of the poverty-stricken. Multiple links exist between the strategies of the poor and the unregulated operations of modern industries. Subcontracting is an important connection that allows large producers to lower costs, spread risk among several subcontractors, and avoid unions. Second, informalization is not an aberration or remnant of preindustrial production, but a recurring phenomenon tied to the changing relations between capital and labor and changing competitive conditions; Third, informalization is a counter weight to, and sometimes intended to weaken, organized labor and formal labor relations. And fourth, the informal sector includes entrepreneurs who often act as middlemen organizing informal labor and link it to the formal sector.

While analysts also disagree on the relationship between the state and the informal sector, some simple assumptions can be dismissed. States are not simply passive reflectors of socioeconomic or political processes. At the same time, the consequences of state action cannot always be assumed to be what the state intended. In a federal system like that of the United States, authority is dispersed among several branches and levels of government, often leading to contradictory policies and practices which leave spaces for informed responses in times of crisis or to meet an upsurge in demand.

Three general and overlapping factors play a role in the growth of the informal sector: legislative changes; enforcement challenges; and the different and often contradictory agendas of government agencies. The role of legislation can be illustrated by the historical development of industrial homework regulation. Federal wage and hour law, in effect since 1938, bans homeworking in several industries, particularly in the garment and textile industries. Yet the electronics industry, which did not exist when the law was written, developed through the extensive use of homeworkers. State modifications to federal regulations, and exemptions, like the rule that workers who must care for dependents may be allowed to work at home, mean that the application of laws is uneven and open to interpretation. Enforcement is often constrained by small budgets or driven by political agendas either to protect illegal operations or to make an occasional dramatic show of force. Finally, government agencies may have incompatible mandates. For example, departments that regulate wages and hours have different definitions of an employee, independent contractor, or self-employed person than the IRS. Generally, under protective labor codes, employees have certain rights and employers have certain obligations. Definitions establish who is eligible for such protections and who must furnish them. The IRS is only concerned with employment relations for the purpose of ensuring that one party or the other pays the appropriate employment-based taxes. The IRS category of statutory worker, one who is employed but not working on the employer's site, opens a loophole for the employment of homeworkers.

LABOR MARKET INSERTION PATTERNS OF HISPANICS

While manufacturing employment for most ethnic groups fell in the 1970s and 1980s, the employment of Hispanic women increased. In the New York, Miami, and Los Angeles areas, thirty-five percent of women in the manufacturing sector are Hispanic, with a much higher proportion working as operators, fabricators, and laborers; an especially high share of women in textile and garment machine operator positions are Hispanic.

The apparel industry in California dates to the late nineteenth century. The industry experienced an upsurge in the 1920s when runaway shops sought to evade unions in New York and grew again when the rise of the movie industry established southern California as a fashion center. By the mid-1940s there were 28,000 garment industry workers in the Los Angeles area, a number which more than doubled by the mid-1970s. The industry has recently come under heavy pressure from imports forcing it to cut costs and adapt frequently and rapidly to changes in consumer tastes. The pattern of Mexican immigration meshes with the desire of producers to take advantage of low cost, more flexible, informal labor relationships. Mexican women have a long history in the garment industry and manufacturers are able to draw on a continuous stream of new immigrants. Many immigrants from Mexico arrive alone, without community support and without the legal status that would bring them under the umbrella of protective labor laws. Over one-third of women in the garment industry are heads of households. In many cases, working at home allows them to look after their children at the same time.

In Miami, the garment industry remained small until the late 1960s and early 1970s. The wave of Cuban immigration that followed the Cuban revolution provided a labor force of women eager to maintain middle class incomes for their families and men who were willing to act as middlemen between employers and the workforce. In addition, the area was home to many

retired garment industry executives from New York who saw an opportunity to set up new businesses in Florida. For many Cuban women, working at home became a way to achieve control over their own work schedules or accommodate their husbands' wishes that they not work outside the home. Since Miami does not have the same continual influx of immigrants that Los Angeles has, and since men in the community form the conduit for labor contracting, the garment industry faces labor shortages that enable women workers to assert their preferences for homework.

"The comparison between different experiences among Hispanic women in two social settings shows that involvement in informal production can have entirely dissimilar meanings depending on the type of incorporation into the labor market. The examples considered should reaffirm the importance of studying the underground economy as an uneven and richly variagated spectrum, rather than as a homogeneous phenomenon resulting from the interaction of standard economic factors." [262-7].