

Crisis or Opportunity?

The Future of Los Angeles' Garment Workers, the Apparel Industry and the Local Economy



Garment Worker Center
El Centro de Trabajadores de Costura
成衣勞工中心 ศูนย์ช่วยเหลือคนงานเย็บผ้า



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The Garment Worker Center's mission is to empower garment workers in the Greater Los Angeles area and to work in solidarity with other low wage immigrant workers and disenfranchised communities in the struggle for social, economic, and environmental justice. For more information, go to www.garmentworkercenter.org.

Sweatshop Watch is a coalition of over 30 labor, community, civil rights, immigrant rights, women's, religious and student organizations, and many individuals, committed to eliminating the exploitation that occurs in sweatshops. Sweatshop Watch serves low-wage workers nationally and globally, with a focus on garment workers in California. We believe that workers should earn a living wage in a safe, decent work environment, and that those responsible for the exploitation of sweatshop workers must be held accountable. For more information, go to www.sweatshopwatch.org.

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Summary



The apparel industry in Los Angeles depends almost exclusively on the labor of Latino and Asian immigrant workers. Despite low wages and few options for advancement, garment workers contribute greatly not only to the industry, but to the Los Angeles economy as a whole. They reinvest in their local communities, spurring economic activity in the poorest parts of Los Angeles County.

- **In 2001, spending by 120,255 workers in the apparel and textile industries created another 130,000 “indirect” jobs in Los Angeles County.**
- **Raising many garment workers’ wages to California’s minimum wage would generate \$358 million for the economy and 2,935 jobs in Los Angeles.**

Today garment manufacturing in Los Angeles faces a crisis. Apparel manufacturers and retailers have increased outsourcing in a wave of accelerated globalization led by the passage of the North American Free Trade Agreement in 1994. As a result, thousands of factory jobs were lost in Los Angeles County alone. In 2005, member countries of the World Trade Organization must phase out quotas on textiles and garments, giving corporations greater incentives and ease to outsource apparel assembly to countries with even lower labor costs and weaker labor protections. The future of Los Angeles’ economy is intertwined with the future of its garment workers. To respond effectively to the impact of the apparel industry’s decline, worker advocates and policy makers must take steps to increase economic opportunities for garment workers by:

- **Ensuring education and job training that allow workers to move towards stable employment;**
- **Expanding a sorely weakened social safety net to support workers through the transition; and**
- **Providing incentives and support for business development, including innovative economic development models.**

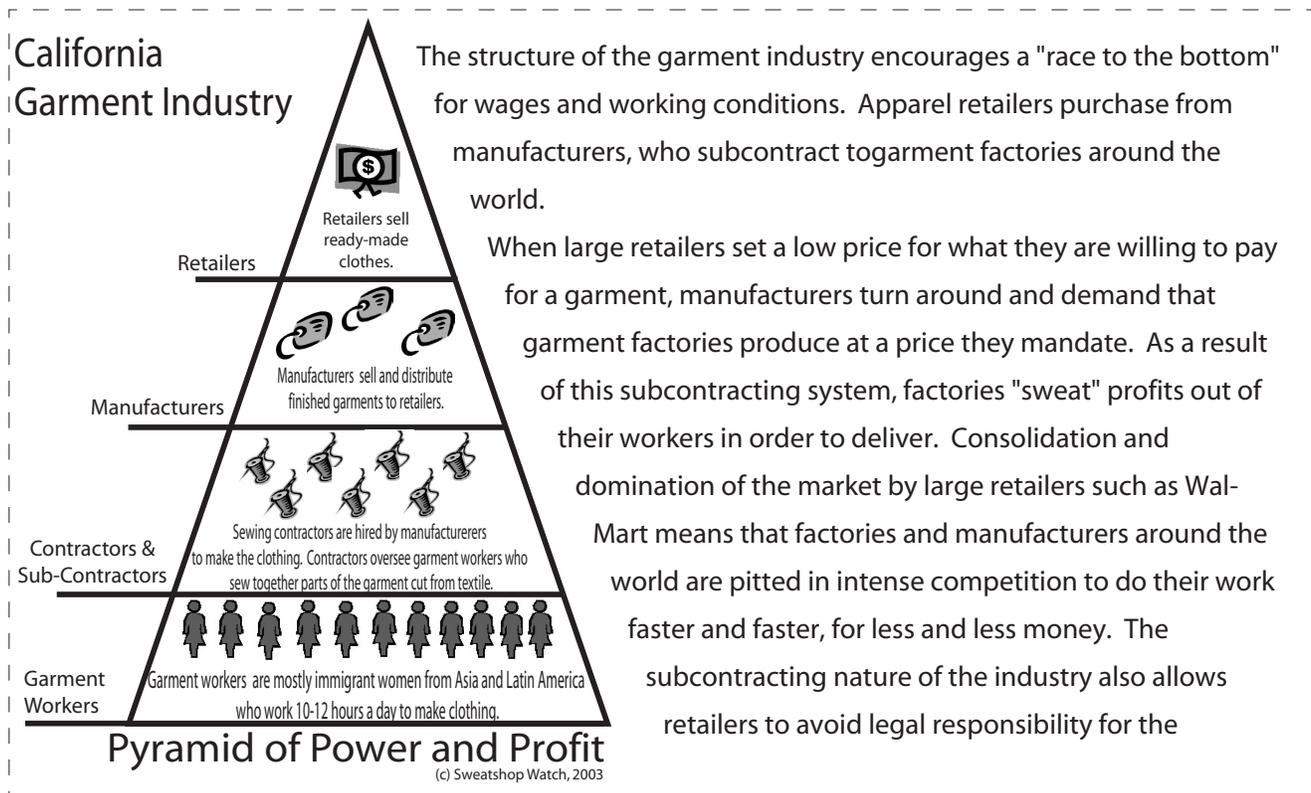
Angeles garment industry and at the same time provide a better way of life for garment workers.

The Los Angeles Garment Industry

Apparel in California is a \$24.3 billion industry¹, with Los Angeles as the capital of garment production in the United States. The California Employment Development Department (EDD) counted **62,600 workers in cut and sew apparel manufacturing in Los Angeles County**.² Apparel manufacturing constitutes 14% of all manufacturing employment in Los Angeles, making apparel the single largest manufacturing sector.³ Nearly 80% of California's garment employment takes place in LA County.

The numbers reported to the government do not take into account the many workers involved in the informal economy. State law requires garment contractors to register with the California Department of Industrial Relations (DIR). However, many garment contractors fail to register and operate unlicensed shops, often failing to pay payroll taxes, workers' compensation insurance, and avoiding other laws and regulations. It is common practice for contractors to change location and/or the name of the business as frequently as every few months, sometimes as a tactic to avoid accountability for labor abuses.

In 2000 a U.S. Department of Labor survey concluded that two out of every three garment shops in Southern California did not comply with Federal minimum wage and overtime laws.⁴ A 2003 study by UCLA found that three out of every four garment factories cited by California's Division of Labor Standards and Enforcement (DLSE) were unregistered with DIR or violated record-keeping requirements. The next most common citation concerned paying workers cash under the table or failing to keep a record of payroll deductions. The report also found that the garment industry was more likely than all other industries inspected by the DLSE's Bureau of Field Enforcement to be cited for minimum wage and overtime violations.⁵



¹ Los Angeles County Economic Development Corporation. "Los Angeles Area Fashion Industry Profile." December 2003.

² California Employment Development Department, May 2004 [http://www.calmis.ca.gov/file/lfmonth/la\\$pr.txt](http://www.calmis.ca.gov/file/lfmonth/la$pr.txt) Accessed 10 August 2004.

³ California Employment Development Department, Labor Market Information Division (LMID) ES 202.

⁴ US Department of Labor. "Only One-Third of Southern California Garment Shops in Compliance with Federal Labor Laws." 25 August 2000. <http://www.dol.gov/esa/media/press/whd/sfwh112.htm> Accessed 7 September 2004.

⁵ Ong, Paul M. and Jordan Rickles. "Analysis of the California Labor and Workforce Development Agencies Enforcement of Wage and Hour Laws." 19 December 2003.

The Economic Contributions of Garment Workers

Garment workers not only form the backbone of the apparel industry, but impact the economy on a much larger scale. The Los Angeles County Economic Development Corporation (LAEDC) found that **in 2001 spending by the 120,255 recorded workers in the apparel and textile industries created another 130,000 in “indirect” jobs in Los Angeles County.** Recorded payroll in apparel and textiles was \$2.7 billion, generating an additional \$3.5 billion in indirect earnings.⁶ These figures do not take into account garment workers employed in the underground economy. The Los Angeles Jewish Commission on Sweatshops estimates that as much as 30% of all garment factories are not registered with the state of California.⁷ Many garment workers are paid well below the state minimum wage. In 2000, when the California state minimum wage was \$5.75 per hour, the Census reported the average wage for garment workers in the United States as \$5.18 per hour, which is close to the federal minimum wage of \$5.15. However, labor law states that workers are entitled to the higher of the two minimum wages. In practice, average wages are likely to be even lower if one takes into account workers in underground factories, as well as the fact that the Census tends to undercount immigrants.

The Garment Worker Center, a non-profit organization that manages cases of workers who have not been paid properly, has case records from 2001-2003 that indicate **workers who came to the Center earned \$3.28 per hour and worked 52 hours per week on average.** While the Garment Worker Center's cases do not represent the wage variations within the industry, the cases reflect the degree of exploitation in the garment industry. The common practice of paying workers a few cents per piece (and often adjusting that rate arbitrarily) rather than a set hourly wage is partly responsible for the low average. For an individual worker, the difference between average sweatshop wages and the legal minimum wage for the same hours (without overtime) is \$9,202.44 annually.

Garment workers not only form the backbone of the apparel industry, but impact the economy on a much larger scale.



⁶ Los Angeles County Economic Development Corporation. "Los Angeles Area Fashion Industry Profile." December 2003, 7-8.

⁷ Los Angeles Jewish Commission on Sweatshops, January 1999, 14.

Economic Impact

Comparing the difference between California's current minimum wage of \$6.75 and garment workers' average wage as reported by the Census shows the amount of income lost by garment workers, and by extension, the local economy they invest in. For a single worker, the difference is \$2,987 a year, assuming no overtime. Spread across the on-the-books garment industry of 62,600 workers, employers **are cheating their workers out of \$187 million by not complying with minimum wage.** This value would be even higher if the number of overtime hours (usually high in this industry) were included.⁸

Wage Profile for LA Garment Workers

	<u>1 worker</u>		<u>62,600 workers</u>	
2000 Census PUMS	\$5.18	hourly wage	\$5.18	hourly wage
	40	hours per week		
	\$207.20			
	51	weeks per year		
	\$10,567.20	annual wages		
	\$10,783.00	annual wages (actual PUMS)	\$675,015,800.00	annual wages
CA Minimum Wage	\$6.75	hourly wage	\$6.75	hourly wage
	40	hours per week		
	\$270.00			
	51	weeks per year		
	\$13,770.00	annual wages		
	\$13,770.00	annual wages (rounded)	\$862,002,000.00	annual wages
Gain	\$1.57	hourly wage gain	\$1.57	hourly wage
	\$2,987.00	annual wage gain	\$186,986,200.00	annual wage
				Average Income for Garment Workers in the 2000 Census 5% PUMS
				State of CA Minimum Wage for hourly workers, \$6.75
				Difference in Earnings

If workers were paid the legal minimum wage, the increased income would benefit workers and their families, as well as the businesses and industries supported by their household spending. The greater demand for goods and services would impact local restaurants, health care providers, real estate services and retail establishments. **In all, raising wages from the Census estimate to the California minimum wage generates \$358 million for the Los Angeles economy. The additional economic activity fueled by garment workers would support 2,935 new jobs in the above industries alone.**⁹

⁸These numbers reflect conservative estimates of garment workers' contributions to the economy. In addition to excluding overtime pay, the numbers were calculated based on a 51-week per work year to take into account any days off. However, most garment workers work more than 51 weeks a year.

⁹Source: Minnesota IMPLAN Group, Inc. 2001 IMPLAN Data. <http://www.implan.com>

Wage Differential for LA Garment Workers

Annual Wage Gain (Input):	\$186,986,200
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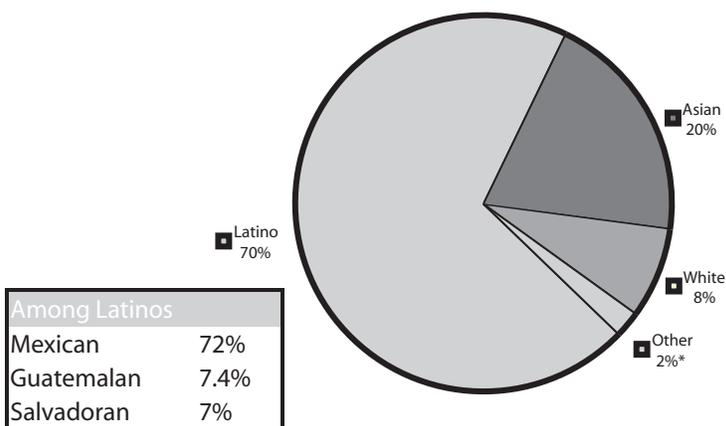
	Output
Direct Output:	\$186,986,200
Indirect Output:	\$45,432,319
Induced Output:	\$125,870,657
Total Output Stimulated by Wages:	\$358,289,176

	Employment
Direct Output:	1285.3
Indirect Output:	382.8
Induced Output:	1266.8
Total Additional Employment Generated:	2934.9

Money spent locally also means reinvestment in the communities where garment workers reside. Census data shows that garment workers are concentrated in the poorer areas of Los Angeles City and San Gabriel Valley. The influx of earnings and spending would bring much-needed economic stimulus to these communities. In short, garment workers in Los Angeles are an integral part of the Los Angeles economy both directly and indirectly through spending. Raising their average wage slightly, even just enough to meet the minimum wage, would greatly increase their contributions.

Demographic Profile of Garment Workers from 2000 Census

Race and Ethnicity of Garment Workers



Among Latinos	
Mexican	72%
Guatemalan	7.4%
Salvadoran	7%

Among Asians	
Chinese	44%
Korean	25%
Vietnamese	12%
Filipino	7%

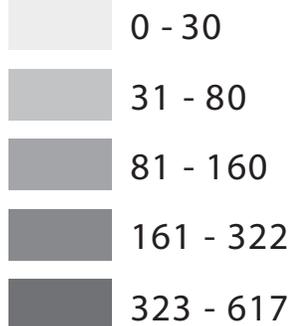
Educational Levels of Garment Workers

Speaks a language other than English	87%
Speaks English very well	15%
Have education beyond high school	17%

Residence of Apparel Manufacturing Workers in Los Angeles County, 2000¹⁰



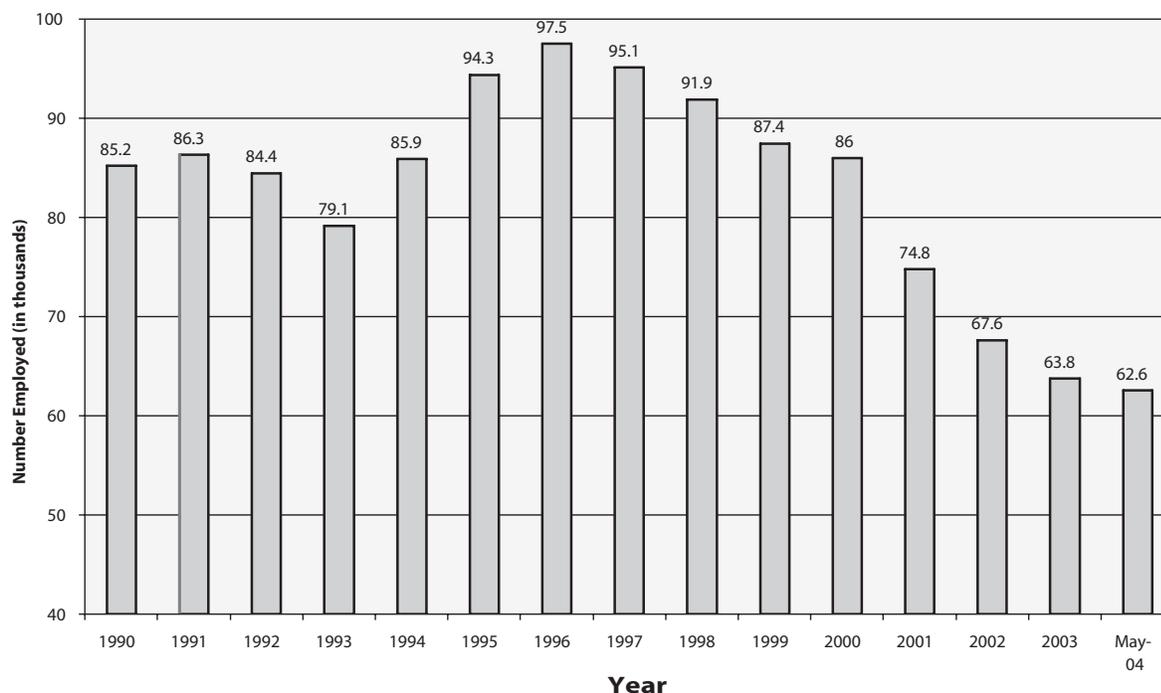
Employed in Apparel Manufacturing 16 & Over by Census Tract in 2000



Free Trade and the Decline of the Garment Industry in Los Angeles

In 1990, the California Employment Development Department (EDD) reported 85,200 cut and sew apparel workers in Los Angeles County. However by May 2004, the number of jobs had dropped to 62,600. Employment in the garment industry peaked in Los Angeles in 1996 and has been in steady decline since then, decreasing by 22,600 jobs.¹¹

Garment Workers in LA County, 1990-2004



The passage of the North American Free Trade Agreement (NAFTA) contributed to the job decline. While exporting sectors gained new jobs, cheap imports led to far greater job loss between 1993 and 2002. All fifty states suffered net job loss. The net job loss in California was the greatest in the nation at 115,723 according to the Economic Policy Institute (EPI).¹² Growth in imports to the U.S. resulted in the loss of 205,004 jobs in California and 1,673,453 nationally. EPI also reports that the sector hardest hit was manufacturing, which accounted for 78% of the net jobs lost for a total of 686,700 jobs in the U.S. If you also consider the many undocumented workers in the underground economy that are not counted in official reports, the number is probably much higher.

¹⁰ US Census 2000 Summary File (SF4).

¹¹ California Employment Development Department, [http://www.calmis.ca.gov/file/indhist/la\\$shaw.xls](http://www.calmis.ca.gov/file/indhist/la$shaw.xls) Accessed 13 August 2004.

¹² Scott, Robert E. "The High Price of Free Trade." Economic Policy Institute. November 2003. http://www.epinet.org/content.cfm/briefingpapers_bp147. Accessed 13 August 2004.

The Continuing Challenges to the Los Angeles Garment Industry

Global Shifts in Garment Production

Starting January 1, 2005, the 148 member countries of the World Trade Organization (WTO)¹³ will fully phase out the Multi-Fiber Arrangement (MFA), a system of quotas, or limits, on apparel exports. MFA quotas vary by country and by specific products, but the overall effect is to control how much apparel each country can export to other countries. The original intent and primary function of



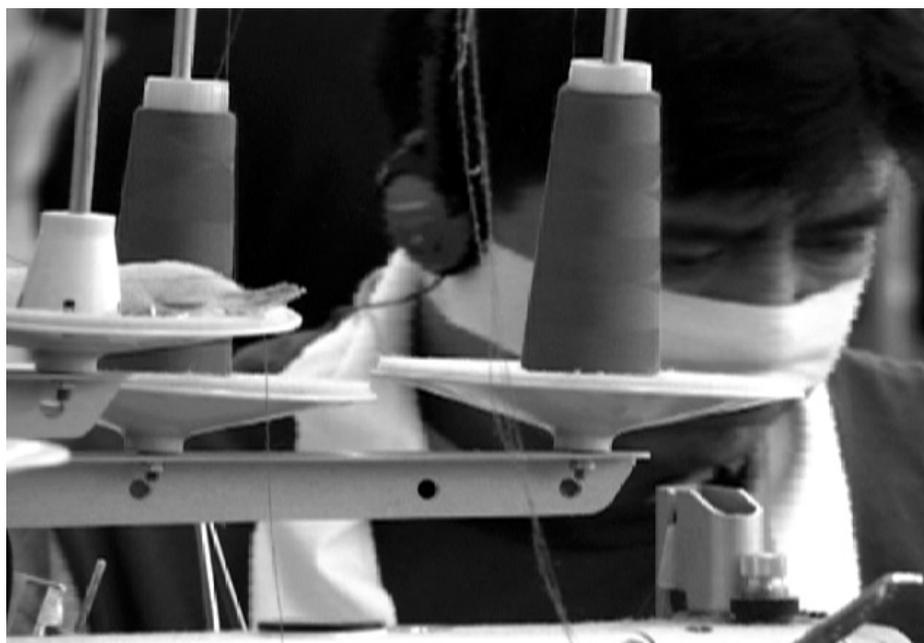
these quotas were to protect the apparel industries of industrialized nations such as the U.S. by limiting the amount of cheaper goods from other countries.¹⁴ With quotas in place, manufacturers seeking to outsource had to spread out production to many developing countries, because once a particular country's export quota had been met, that country could no longer export apparel products manufactured to the lucrative U.S. market. Thus, manufacturers spread their garment production worldwide to countries with unfulfilled quotas. The end of quotas will allow for increased imports to the U.S. and the expansion of exports from nations previously constrained by the quota system.

Multinational companies are expected to be the major winners. Companies such as Wal-Mart, Nike, and Adidas will even more freely seek out and import from countries with the lowest costs. Unrestrained by quotas, it is predicted that multinational corporations will be able to consolidate garment importing from over 50 manufacturers in various countries to only 5 or 6.¹⁵ This is expected to result in massive shifts in the worldwide production of garments, including further job loss in the U.S. The global shift in apparel production after the end of quotas further contribute to a downward spiral in wages, working conditions, and overall job security as garment workers internationally bear the brunt of these shifts.¹⁶

The Impact on the Los Angeles County Economy

Job loss in the U.S. is likely to accelerate as a result of the end of MFA quotas. The Bureau of Labor Statistics predicts 245,000 apparel manufacturing jobs to be lost between 2002 and 2012 in the U.S. as a result of increased imports and labor-saving technology.¹⁷ Other analysts predict even greater job loss. The American Textile Manufacturing Institute (ATMI) predicts a total national job loss of 630,000 textile and apparel jobs with 81,000 lost in California as a result of the MFA phase-out.¹⁸ However, ATMI's predictions are extreme; a job loss of that magnitude suggests that apparel manufacturers will shift all production overseas.

Certain segments of apparel manufacturing are likely to remain in Los Angeles even after the MFA phase-out. Los Angeles is a center of fashion design and marketing. Many industry officials speculate that local manufacturing will specialize in items requiring small production runs, rapid turnaround, or strict quality control.¹⁹ For example, the one occupation that is likely to stay is sample-making because it requires highly specialized skills. Unfortunately, these occupations constitute only a small fraction of the industry. The bulk of the apparel industry in Los Angeles County remains highly vulnerable to job loss. The shops that do survive will encounter increasing downward pressure on wages, and workers can expect working conditions to deteriorate.



¹³ The WTO is the rule-making regime that works to enforce international trade agreements. It has far-reaching powers to compel governments to conform to WTO trade rules to the extent of striking down their own pre-existing laws, programs, or policies.

¹⁴ Appelbaum, Rich. "Assessing the Impact of the Phasing-Out of the Agreement on Textiles and Clothing on Apparel Exports on the Least Developed and Developing Countries." May 2004, 7.

¹⁵ De Jonquieres, Guy. "Garment industry faces global shake-up." *Financial Times*. 18 July 2004. Accessed at www.ft.com on 19 July 2004.

¹⁶ For more information on the Multi-Fiber Arrangement, see www.sweatshopwatch.org/global.

¹⁷ U.S. Department of Labor, Bureau of Labor Statistics. <http://www.bls.gov/oco/cg/cgs007.htm>. Accessed 13 August 2004.

¹⁸ American Textile Manufacturers Institute, "The China Threat to the Textile and Apparel Trade Report," July 2, 2003. <http://www.atmi.org/TextileTrade/china.pdf>. Accessed 16 August 2004.

¹⁹ Los Angeles County Economic Development Corporation. "Los Angeles Area Fashion Industry Profile." December 2003.

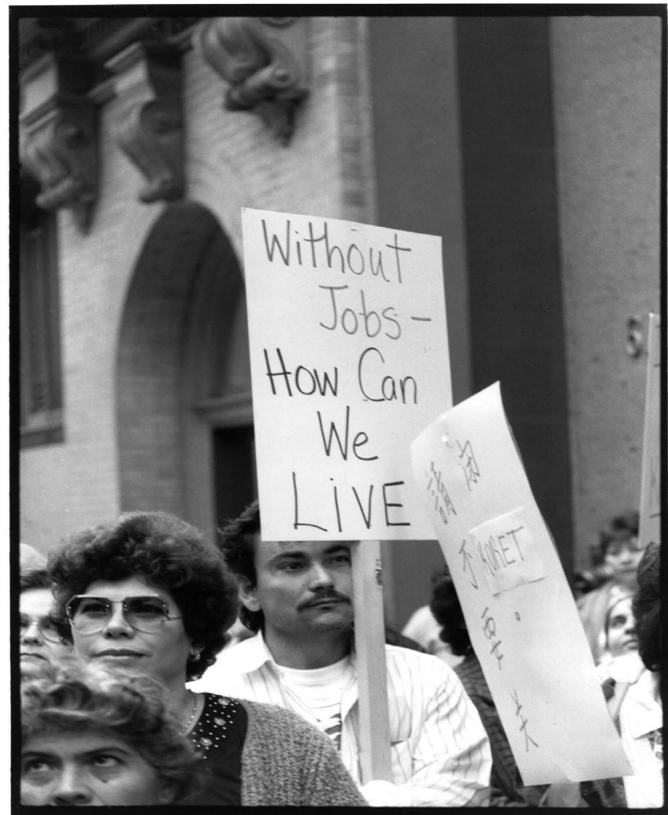
Recommendations

Garment workers displaced by outsourcing by retailing corporations have limited resources and skills to recover from job loss. The crisis in California's garment industry is an opportunity to remove barriers garment workers face and strengthen Los Angeles' apparel industry and economy. Improvement of programs that address job loss through workforce development and job placement, as well as the creation of innovative economic models are needed in order to create economic opportunities for Los Angeles and its garment workers.

Improve the Quality of Work in Los Angeles

Los Angeles needs more and better jobs in order to improve the livelihood of the thousands of workers stuck in low-wage, unstable, exploitative industries. Much of the current job growth is occurring in non-unionized industries with few benefits or advancement opportunities, including jobs such as grounds-keeping laborers, food service workers, hand packers, and janitors.²⁰ The jobs with the greatest growth rate usually require English proficiency, higher levels of education, and skills that bar the entry of a majority of garment workers. For this reason, adequate job training and placement programs should exist to help workers transition into living wage jobs. Such occupations include retail salespersons, teacher's assistants, cashiers, and office clerks. Workers should not have to choose between one exploitative industry and another. Los Angeles needs better jobs for all of its workers. To improve the quality of work in Los Angeles, there needs to be support for workers' rights, unionization, labor law enforcement, and creation of businesses that provide good working conditions.

***Los Angeles needs
better jobs for all
of its workers.***



Improve Job Training and Placement Programs

Increased education, skills, and job training are crucial for garment workers. While federal government programs such as the Workforce Investment Act (WIA) and the Trade Adjustment Act (TAA) were created to assist displaced workers looking for jobs, many garment workers do not have access to these programs. Increasing access to job training would also boost industries that need a skilled workforce in order to compete in an increasingly aggressive global economy.

The limitations of the workforce development programs are systemic. One limitation is insufficient funding to address the scale of job loss. Another is their inaccessibility to many workers due to lack of English proficiency or difficulty in navigating the complex enrollment system. In 2000, only 2.5% of WIA participants were Asian; 25.8% were Latino. Only 7.3% of adult participants were Limited English Proficient (LEP).²¹ Workers in Texas have sued the U.S. Department of Labor for systematically violating TAA by not providing vocational training to the Spanish-speaking workers who have lost their jobs due to trade agreements.²² Moreover, WIA and TAA exclude undocumented workers, one of the most significant workforces in terms of their contribution to Los Angeles' economy.

Workforce development programs must be responsive to job training and the skills enhancement needs of all workers, including those who need English-language instruction and combined English and vocational instruction. According to one study, regardless of immigrants' qualifications, immigrants with English fluency earn approximately 24% more than those who lack fluency.²³

Legalization

Los Angeles was built by immigrant labor. Many garment workers are immigrants who come as a result of life-threatening poverty and violence in their country. Immigrants do the dirtiest, most dangerous, and backbreaking jobs with little compensation while subjected to constant harassment, abuse, and injustice. Yet they are denied basic life necessities like medical care, social services, and educational opportunities. Many garment workers who lack immigration documentation are fearful of reporting workplace abuses or wage violations because immigrants are fired from their jobs, targeted by law enforcement, detained indefinitely, and deported. Undocumented workers are also denied job training even though they contribute greatly to the American economy and social fabric. Legalization will protect immigrants' rights and discourage the informal economy that exploits workers and cheats the government out of important revenue. Garment workers should not be discriminated against based on immigration status; whether documented or undocumented, workers deserve justice, dignity, and liberty, including the full protections, rights, and responsibilities afforded by law to all members of the community.

²⁰ California Employment Development Department, "Occupations with Greatest Growth, 2001-2008." <http://www.calmis.cahwnet.gov/FILE/OCCPROJ/laF&G.htm> . Accessed 18 August 2004.

The occupations with the greatest expected growth are retail sales, security guards, office clerks and cashiers.

²¹ Frank, Abbey, Hedieh Rahmanou and Steve Savner. "The Workforce Investment Act: A First Look at Participation, Demographics, and Services." Center for Law and Social Policy. Program Update March 2003.

²² "Workers Who Lost Factory Jobs After NAFTA Sue Department of Labor for Violating Trade Act Training Law" Press Release. 17 June 2004. Available at <http://www.publiccitizen.org/pressroom/release.cfm?ID=1730>.

²³ Report cited by National Immigration Law Center, "Immigrants & Employment: Workforce Development." Available at http://www.nilc.org/immsemploymnt/wrkfrc_dev/imm_priorities.htm.

Recommendations continued...

Strengthen Local Garment Production

A market of sweatshop-free, locally produced apparel that boasts high quality and quick turnaround can be promoted to maintain jobs locally. The state can contribute by establishing training programs to help manufacturers and contractors comply with labor, health and safety laws in their factories. Retailers should be responsible for monitoring factory conditions and providing adequate pay to their contractors to ensure workers receive a legal wage and have a safe working environment. In order to promote a fair and competitive California garment industry, garment worker advocates and businesses must work together to call for job training that benefits workers and businesses, boosting Los Angeles competitiveness.

Provide Adequate Social Safety Net

One of the socially mandated roles of government is to preserve the basic human rights of the people over which it governs. In times of economic instability, this role becomes even more important. The primacy of these human rights has been eroded a great deal in the last decade as the priorities of many government officials has shifted to the preservation of corporate wealth. The re-establishment and improvement of health services, improved access to affordable, well-maintained housing and access to healthful food are essential to low-income workers' survival, especially those who are unable to find work. Furthermore, barriers to services based on immigration status create a second-class populace that contribute to the economy, but do not receive deserved benefits.



Support Responsible Trade Policy & Promote Corporate Accountability

Global trade policy under the WTO has largely been shaped by interests of large U.S.-based corporations and has led to massive job fluctuation from country to country. This has destabilized local economies and threatened the livelihood of thousands of workers around the world. The loss of jobs, lowered wages, and weakened workers' protections left by NAFTA serve as harbingers of what is to come after the MFA's elimination. Recognizing the damaging impact on the economy, the U.S. government should instead engage in a responsible trade policy that is transparent, incorporates the voices of workers, environmentalists, and civil society, and also ensures corporations are held accountable for their actions.

In addition, state and local government policies have allowed corporations to escape their responsibilities. Corporations who are legally defined as citizens have a responsibility to pay their fair share for the governmental services that they use. For example, when companies do not pay health insurance, the services for their workers are paid for by other hard working people. When government agencies that are responsible for enforcing workplace health and safety standards are not given sufficient funds, then the government fails to be equally responsible to all of its people. Further, it is important to develop markets for goods made under fair conditions, including commitment to sweat-free government procurement and purchasing policies.

Increased economic opportunities

At the core, displaced garment workers need increased economic opportunities. In addition to improved job training programs and responsible government and corporate policies, non-traditional forms of economic development, whether through micro-enterprise businesses, worker-owned businesses, or community gardens, are worthwhile areas of exploration to assist garment workers in times of economic uncertainty. The path towards fair economic development in the face of massive global economic changes begins with integrating traditional workforce development strategies with new alternatives.





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