

Chapter 13

Who are the players? What are the problems?

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What stands in the way of cleaning up California's rapidly growing \$3.5 billion garment industry, centered in Los Angeles and officially recognized as "the dirtiest in the state"?

After an intensive eight-month investigation, which included a month's undercover work posing as an illegal garment worker, the Herald Examiner discovered that the garment industry's major problems revolve around the manufacturers, not the contractors. These people, the manufacturers, control the purse strings of the industry yet are not held legally accountable for the health and labor conditions under which their garments are made.

But the manufacturers are not the sole cause of all the problems. Everyone contributes to them — from the workers, contractors and retailers to the regulatory agencies, prosecutors, judges and the unions.

Also not to be forgotten are the effects of imports, organized crime and the recession.

Here is a quick rundown of the problems in the industry, some structural, some economic, some attitudinal. Taken together, these elements make it nearly impossible for the business to run lawfully without violations. The human degradation and economic injustices call out for solution — drastic and immediate.

■ **The workers:** The backbone of the work force — an estimated 90 percent of the 125,000 workers in greater Los Angeles (which is 75 percent of the estimated total number of workers in California) — is undocumented labor, easily exploited illegal workers who are unfamiliar with U.S. laws and afraid to fight back.

Out of 20 basic non-agricultural industries in California, this worker earns conservatively 30 to 40 percent less than employees in other industries.

■ **The contractors:** An estimated 3,500 in the state. It is easy to go into business: all that is needed is a \$21 business tax and registration permit, a few machines and a roof overhead.

In sewing factories, most of which are small and employ less than 50, contractors, known as "glorified workers," do the bidding for manufacturers. They hire workers and run the operations where garments are sewn. They alone bear the burden of labor and health code violations. (More than 80 percent of them are in violation.)

There is a surplus of contractors. Many are undercapitalized. In the words of state Labor Commissioner James Quillin, many are "flakes" unfamiliar with U.S. law and the garment business. They see engaging in unfair competition (a direct result of hiring undocumented workers) as the only way to keep their shops afloat. They regularly undercut legitimate shop owners, often forcing them out of business. The attitude: anything to get the work.

The most frequent complaint of contractors is that manufacturers do not pay them enough to cover costs and make a profit. After they complete a job, they often find there is little money left to pay themselves a decent wage and, the way it goes, even less for the workers.

An estimated 30 percent of contractors go out of business each year.

■ **Manufacturers:** There are approximately 600 in the state, 400 in Los Angeles. This group designs garments, cuts cloth, hires sewing contractors and sells the product. Once the garment is delivered to them, manufacturers ship it, on order, to retailers.

Manufacturers are not legally held accountable in any way for what goes on in their contractors' shops. Unlike other industries where the person who provides the service negotiates price with his potential client, here it's the other way around. The price is dictated by the manufacturer, who takes full advantage of the unfair compe-

SWEATSHOP

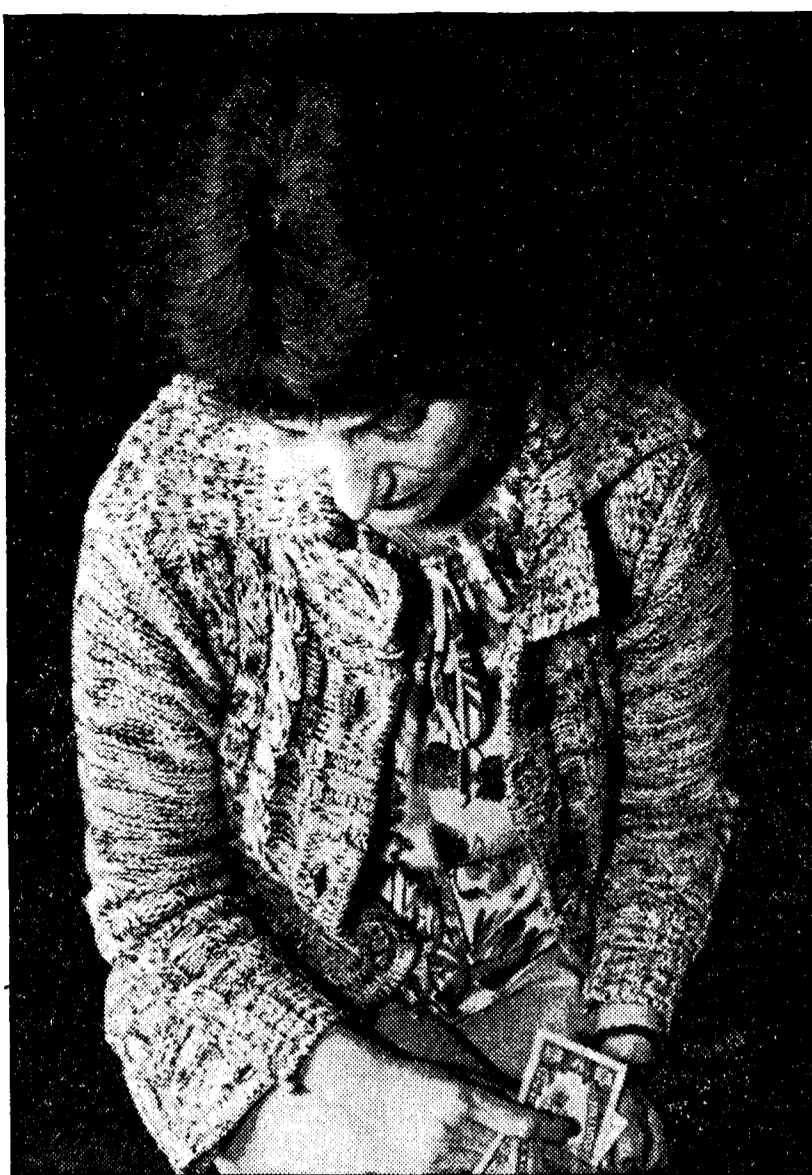
UNDERCOVER IN THE GARMENT INDUSTRY

In her eight-month undercover investigation of the city's garment industry, Herald Examiner reporter Merle Linda Wolin, posing as struggling Brazilian immigrant seamstress Merlina de Novais, encountered conditions that seem to be more of the 19th century than of the 20th century.

As Merlina, Wolin was never paid even minimum wage. And the health and safety conditions she worked in continually jeopardized her well-being and that of her fellow workers.

So far in this 16-part series, the industry has been examined from the contractor to the manufacturer to the shops and department stores in which the garments are sold.

What are the problems of each and the industry as a whole? What obstacles stand in the way of possible solutions?



Merle Linda Wolin as undocumented worker Merlina De Novais.

En un proyecto periodístico mancomunado, esta serie de 16 partes sobre la industria de la costura aparecerá en La Opinión todos los días, con excepción del sábado. La traducción castellana de cada artículo saldrá un día después de publicada su versión original en inglés en el Herald Examiner.

In a joint publishing effort, this 16-part series on the garment industry will be published every day except Saturday in La Opinión, Los Angeles' Spanish-language daily. The Spanish translation of each article will run one day after the original English version appears in the Herald Examiner.

tion.

The bulk of the profits in the industry is believed to be made by the manufacturers. Double-digit profits are the rule; a triple-digit markup is not uncommon on imports.

This group has been under some competitive pressure from imports — valued by the U.S. Department of Commerce at nearly \$6 billion in 1979 and growing — though no one seriously believes they are forced to underpay contractors to keep pace with foreign apparel makers. (And certainly there seems to be no difference in price between foreign-made apparel and that made in the United States.)

■ **Retailers:** Everyone who sells garments to the public, from the owner of the local boutique to the corporate presidents of enormous department stores. Most claim they know nothing about the violations other than what they read in newspapers.

Retailers believe they are far too removed from the production end of the industry to get involved with what they call "policing." Their buyers shop the world from fancy showrooms. Though they are required to make sure all purchases meet the standards of the Federal Trade Commission, none are required to ask about the conditions under which the garments were made.

This group also makes handsome profits, though usually not as much as the manufacturers. Uniformly, they claim they want greater local and state enforcement of the health and labor codes.

■ **Regulatory agencies:** State and federal labor departments, county health departments, city fire departments, city building and safety departments, and the state agency administering the Occupational Safety and Health Act — all entrusted, among their many duties, with keeping the law in the garment industry.

California's most active agency, the \$1.2 million Concentrated Enforcement Program of the state's Department of Industrial Relations, focuses on violations of wage and hour, worker's compensation insurance, and industrial homework in "marginal" industries, like this one. Under federal and state law, their jurisdiction extends only to the relationship between employer-employee, not between employer-employer, which is considered to be the legal relationship between a manufacturer and a contractor.

The CEP is, therefore, legally unable to hold manufacturers responsible for unfair business dealings with and by contractors. (This is ironic, however, since the National Labor Relations Act recognizes the dependence of contractors on manufacturers in certain situations, such as collective bargaining.)

The CEP's work, impressive as it is, is extremely limited by a shortage of investigators — 30 for the entire state. There is no realistic way they can police violations. Officials complain about a lack of support from the courts — there are inordinate delays in prosecution; deals worked out with prosecutors frequently result in both "slap on the wrist" fines, and grace periods of up to two years for employers to pay back wages.

Since the program began in 1978, officials have collected nearly \$5 million in fines and back wages for workers, an amount they believe is

hazards in all industries, this agency gives first priority to construction and heavy manufacturing, the industries with the highest percentage of lethal hazards complaints.

■ **Prosecutors and the judiciary:** The city attorney, the state labor commissioner and federal attorneys under the solicitor of labor all prosecute in the garment industry. Cases are heard either in municipal or superior courts or in federal district courts.

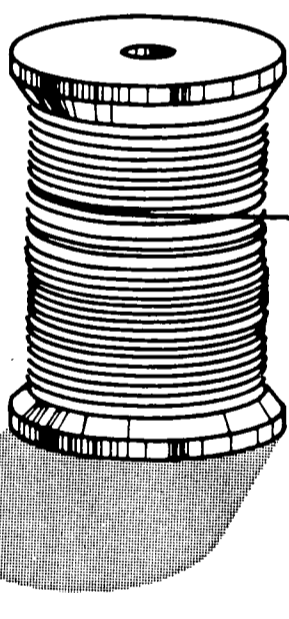
Since September 1979, in response to a major expose of the industry which was televised here

by law in 1938, has never been used in California. And today it takes judges so long to issue temporary restraining orders against the shipment of illegally made goods going out of state that by the time an order arrives, the garments have disappeared.

■ **Unions:** Three try to organize in the garment industry: the International Ladies' Garment Workers Union, the Amalgamated Clothing and Textile Workers Union, and United Garment Workers Union. Their presence is barely felt — only 20 percent of all garment workers in the state work under a

Nine days as a garment worker

Merlina's work and what she was paid



What she was paid

First 3 days
8 1/2 hrs./day
\$30

Next 5 days
8 1/2 hrs./day
\$38.74

Final day
7 hrs./day
\$2.50²

Total

\$71.24

What she should have been paid¹

\$79.05¹

\$131.75

\$21.70²

\$232.50

¹Under federal minimum wage laws an employer was required to pay a minimum of \$3.10 (as of Jan. 1, 1981 — \$3.35) per hour, even for piece work.

²After complaining to the Labor Commission, Merlina was paid an additional \$19.20 by the manufacturer (the difference between what she made and what she should have been paid under minimum-wage laws).

only a fraction of what workers are actually due.

Officials at the CEP believe a legislative restructuring of the industry is the only way to actually stop violations.

■ **The county Health Department,** with only six full-time investigators, is also limited in its ability to clean up the industry. Since October 1979, officials have been vigorously issuing health licenses to all the shops they can find. By the end of October they had found 2,746 shops. Of an estimated 1,500 that have been investigated, 1,187 have been cited for one or more violations. Seventy-three cases have made it to the city attorney's office for adjudication.

Health officials claim the garment industry is "dirtier" than any other in the state.

■ **The U.S. Department of Labor's Employment Standards Administration** in Los Angeles coordinates the work of at least six compliance officers, an educational program, and since 1974, three task-force investigations in the industry.

In practice, they only go after contractors although federal law does allow them to obtain an injunction against a manufacturer to prohibit the shipment of goods out of state.

Since last year, this federal agency has cited at least 64 shops, and is now in the process of collecting \$658,000 for 1,372 workers in federal court.

■ **All other agencies,** those of the city and Cal-OSHA, maintain a relatively low profile in the industry. Why? The fire, building and safety departments believe the violations under their jurisdiction are not inordinate or "life threatening." Cal-OSHA believes it, too. Though mandated by federal law to investigate health and safety

by KNXT, the city attorney has given special priority to garment cases.

Today, the city attorney's office prosecutes 100 percent of the cases referred to them by the regulatory agencies. In the last year, the office obtained convictions on more than 95 percent of all cases: 38 health and safety, 20 homework and 116 minimum wage.

City attorneys say they have the laws but, unfortunately, they are dependent on investigators to bring them cases — and there are severe shortages of investigators. City Attorney Burt Pines said, "If (they) referred 10 times as many cases, we would prosecute them."

These lawyers also complain that local judges do not mete out stiff sentences in white collar crime cases. Only rarely will a judge impose jail time.

Judges, according to the lawyers, are equally reluctant to severely penalize contractors who appear indigent.

Other major sources of aggravation for city attorneys: Their star witnesses, the victims, frequently do not show up at trials because they are undocumented workers afraid to testify. Also, under the law, manufacturers go scot-free.

At the federal level, the four attorneys who work for the solicitor of labor prosecute cases involving the industry. Since October 1979, they have obtained court orders against defendants in 15 of 17 cases heard.

Besides a shortage of investigators, their major complaints stem from the attitudes of federal judges who seem unwilling to impose business sanctions against manufacturers. For example, the "hot goods" injunction, mandated

union contract.

Union officials cite several basic reasons for this:

■ **It is difficult to organize** the large pool of ethnically divided surplus labor, most of which is comprised of undocumented workers afraid of losing their jobs and being deported.

■ **The National Labor Relations Board** delays the adjudication of disputes. These delays work to the advantage of the employer and make it difficult for workers to organize.

■ **Anti-union sentiment in Los Angeles** as manifested by the police and the courts. Union officials often complain about the intimidating effects of what they call the pro-employer "labor liaison squad" of the Los Angeles Police Department and the local judiciary's use of temporary restraining orders to effectively halt union activity.

■ **Imports:** Apparel imports compete directly with California-manufactured goods. In 1979, \$5.876 billion worth of foreign-made goods were sold in the U.S., a whopping 426 percent increase over 1969, though the average rate of annual growth of imports in the last four years was only 4.7 percent.

Since 1973, the U.S. Labor Department's office of foreign economic policy estimates that 125,000 jobs have been lost in the apparel industry, a 10 percent decrease in the industry's employment.

Why are jobs being lost? Economists in Washington said it is both because U.S. manufacturers are doing business "off-shore," and because of competition from what they call "low wage" countries. (Hourly wage in the Korean apparel industry, for example, is approximately 55 cents, including all benefits.)

Surprisingly, some of the regula-

tions of the Federal Tariff Commission seem to encourage U.S. manufacturers to go abroad. Under section 807, manufacturers who cut their garments and then send them off-shore to be sewn are exempt by two-thirds from paying the regular tariff on imported goods. In 1979, the U.S. government lost approximately \$90 million from this tariff "discount" given to manufacturers whose dollar volume of imports under this section was up more than 14,000 percent in the last nine years.

Though many manufacturers claim that rising prices in the United States make it increasingly difficult to compete with imports, the fact is most garments sold in this country are still made domestically and that California's garment business is one of the fastest growing industries in the country, expanding at an annual rate of 13.9 percent.

The volume of the apparel business in California increased 120 percent between 1970 and 1977. Within years, the industry here is expected to surpass that of the \$13 billion New York industry, the largest in the United States, whose annual growth rate is only 8 percent.

■ **Organized Crime:** It is difficult to ascertain to what extent the Mafia has infiltrated the garment industry in California. FBI officials here believe the industry is rife with mob activity, a pattern long observed in the industry in New York.

During the recent federal trial of five reputed leaders of the Los Angeles Mafia, informant Aladena "Jimmy the Weasel" Fratianno revealed that the mob considered a plan to extort money from Los Angeles business owners in the garment industry.

One of the men on trial was Louis Tom Dragna, 61, owner of Roberta's Manufacturing located in the industry's California Mart. He is said to be a longtime mafioso whose uncle, Jack Dragna, was the boss of the family in the 1940s and '50s.

In November, Dragna was convicted in U.S. District Court in connection with a scheme to shake down pornographers in the city.

Another figure mentioned during the trial, but only accused of associating with the mob, was Vic Werber, owner of Vic Werber Associates, a ladies' sportswear firm also located in the California Mart.

The 1978 report on organized crime by the state attorney general listed Werber, convicted in 1976 of loan sharking, as an crony of mobsters.

■ **The recession:** Business has been affected in the garment industry — though not as badly as other industries.

The California Employment Development Department reported that from their sample of garment industry employers who gave estimates of employment from January to December 1980, 6,300 fewer workers had jobs in the Los Angeles County garment industry than in 1979, the year of the lowest rate of increase in employment since the recession in 1974. One CEDD analyst called this slump "a significant decline, not the highest, but right up there with the top five losers in the (county's) manufacturing sector: automobiles, lumber, primary metals and rubber and plastic products."

Dunn and Bradstreet, the leading international credit rating bureau, keeps records of all U.S. apparel manufacturers who have gone bankrupt or lost creditors — records that provide another indicator of the recession's possible effects.

Rowena Wyant, a vice president in the firm's New York business economic division, explained in a telephone interview that from January through July 1980 there was a 23.9 percent increase in failures of apparel and textile manufacturers over corresponding months in 1979. She said the increase of failures was the highest since the 1974 recession but noted that the nation's apparel manufacturers were not as hard hit as other manufacturers. (Transportation equipment and metals suffered rises of failure of 148 percent and 90 percent respectively.)

Tomorrow: Interview with the mayor

Help!



Workers with questions regarding their own work may call the following investigative agencies in Los Angeles:

State of California Concentrated Enforcement Program
620-2204

U.S. Department of Labor, Wage and Hour Division
688-4956

Cal-OSHA
736-3041

L.A. County Health Department
974-7881