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The Informal Economy in an Advanced Industrialized Society: Mexican Immigrant Labor in Silicon Valley

Christian Zolniski†

INTRODUCTION

This Essay uses an ethnographic study of Mexican immigrants living in a low-income neighborhood in San Jose, California to demonstrate the relationship between urban poverty and two types of labor in the informal sector: subcontracting of unskilled labor and small-scale vending. During the 1980's, many of Silicon Valley's manufacturing and service industries restructured their operations, moving toward greater decentralization and labor flexibility. Part of this restructuring was accomplished by subcontracting work that had previously been performed in-house. Widespread subcontracting has led to the expansion of the informal labor market—which employs largely immigrant workers under poor working conditions—and, in turn, to deteriorated working conditions in the formal labor market. Because many workers now earn lower pay and suffer more frequent periods of unemployment, the class labelled the “new working poor” has expanded. Immigrant workers have adapted to the lower incomes their regular jobs now pay by engaging in another type of informal economic activity—small-scale vending within their home neighborhoods. Vending has received even less

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1. The bulk of the data on which this Essay is based was collected through intensive fieldwork conducted in San Jose from November 1991 to June 1993. Information on the informal economy was part of a broader ethnographic study of the working and living conditions of Mexican immigrants in a low-income neighborhood in San Jose. For the study, I selected twenty-two families who live in the barrio to study in detail, collecting information on the immigration and labor histories of their members, formal and informal economic activities, household organizational strategies, family and social networks, and other topics related to their economic and social organizational strategies. Intensive and intimate interaction with these families allowed me to observe directly a number of informal economic activities which form the basis for this essay.
attention than industrial subcontracting in the literature on California's informal economy, yet it is a crucial part of the growing informal sector. Moreover, as this Essay argues, revenues accrued by informal workers through vending contribute to the reproduction of their labor power and to the accumulation of capital in those California industries that rely on these workers. 2

The Essay is divided into four parts. Part I briefly discusses the theoretical context within which I situate my research questions and hypotheses. Part II provides a brief historical description of the rise of the high-tech economy in Santa Clara Valley (also known as and used interchangeably with Silicon Valley) and the way in which it is connected with immigrant labor. Part III explains how the restructuring of Silicon Valley's janitorial industry in the 1980's led to the formation of a labor niche that relies on Mexican immigrant labor, as well as the proliferation of informal subcontracting arrangements. Part IV describes several types of informal selling activities engaged in by immigrant workers and their families in the neighborhood where I conducted my study. This description explores examples typical of the enormous variety of small-scale, informal, income-generating activities that can be found in a Mexican immigrant neighborhood. These activities are essential for understanding not only the characteristics of this segment of the informal sector, but also how immigrants act as social agents in response to their low-paid and insecure position in the job market. The Essay concludes with some theoretical considerations relevant to the current conceptualization of the informal economy in the United States and outlines some public policy implications that derive from the main findings of my research.

I. ECONOMIC RESTRUCTURING AND THE INFORMAL ECONOMY

Recent studies indicate that the informal economy has grown in large U.S. cities because of changes in labor markets and the economic polarization produced by economic restructuring. 3 Today, informal economic activities once thought typical only of Third World countries are common in advanced industrialized countries like the United States. Saskia Sassen's research indicates that the growth of the informal economy results from broader economic changes, including an increased demand for luxury goods and

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2. "Reproduction of labor" refers to the mechanisms that ensure that workers have the minimum level of income necessary to subsist and to engage in the work process. I use "capital accumulation" to refer to the process of accruing profits within production for further investment.

services by an expanding high-income population, and, in tandem, a growth in demand for low-cost goods and services by an expanding low-income population. As a backdrop to this hourglass phenomenon, Sassen points to the proliferation of subcontracting practices in different industries.\(^4\) According to this model, immigrants constitute the main workforce for firms that operate by informal labor subcontracting, and/or produce goods and services directed at the affluent or low-income sectors of the population.\(^5\) Sassen’s paradigm allows us to conceptualize within a single framework a number of socioeconomic trends that otherwise would appear disconnected if not contradictory. The paradigm also makes clear that it would be a mistake to identify the informal economy with declining and “backward” industrial sectors. As she shows, the development of the informal economy results from the reorganization of the productive process within the new global economy, and it affects both old and technologically advanced industries.\(^6\)

Sassen’s theoretical model, however, does not sufficiently address the question of how immigrant workers survive within this new urban economy given their segregated (and inferior) position in the job market. Sassen views immigrants as the primary labor force for the numerous low-wage jobs the new economy has created, especially in such industries as apparel, electronics, or footwear, all of which have gone through a restructuring process.\(^7\) She spends little time analyzing informal economic activities in which immigrant workers are engaged, in the neighborhoods where they live. Analysis of such activities allows us to demonstrate that the informal economy functions to reproduce the cheap immigrant labor that the new economy requires. Only by combining formal jobs with informal labor at the household level can immigrant families subsist in this new economy. This study emphasizes how immigrants creatively respond to the structural forces of the restructuring process, demonstrating that their choices in the face of structural limitations contribute to defining the economic and social context in which economic restructuring takes place. In

\(^4\) Sassen-Koob, supra note 3, at 139.
\(^6\) Sassen-Koob, supra note 5, at 151-65.
\(^7\) Sassen-Koob, New York City’s Informal Economy, in The Informal Economy, supra note 3, at 60.
doing so, it remedies a fundamental problem in Sassen’s approach, which tends
to portray immigrants as passive agents.

My study finds immigrant workers undertaking two basic types of informal
economic activities. First, a number of unskilled jobs, especially in the service
sector, are common sources of informal employment for Mexican immigrants.
Here, the informal sector refers to “the production and/or sale of licit goods
and services ... outside the regulatory apparatus” of the state.\(^8\) A large
number of immigrants, for example, work under informal subcontracting
arrangements in the janitorial, landscaping, construction, and restaurant
industries. These immigrants have been placed in a niche created by the
restructuring of high-tech firms. During the 1980's, many high-tech firms that
once directly employed workers to perform productive and service operations
began to contract out some portion of that work to independent contractors in
order to reduce labor and overhead costs. Second, many Mexican immigrants
have found such casual employment as home and street vending, house
cleaning, baby-sitting, day labor, and recycling. The number and variety of
these activities has substantially grown in Californian cities like San Jose, and
are most visible in Latino immigrant neighborhoods. These activities often
involve immigrants’ extended households, including adults, children, and the
elderly.

The growth of informal, low-wage subcontracting jobs, as in the case of
the janitorial industry, is a major factor behind the rise of poverty among
immigrant workers. Low-income immigrants cope with their poverty by
engaging in small-scale informal economic activities in their home
neighborhoods. Thus, the informal economy in immigrant barrios creates and
reinforces poverty rather than leading to upward mobility or a strong
neighborhood economy.

II. THE GROWTH OF THE HIGH-TECH ECONOMY IN SILICON VALLEY
AND THE ROLE OF IMMIGRANT LABOR

Santa Clara Valley’s economy was historically based on agricultural
products, which were easily grown in the region’s extremely fertile soil. In the
1950’s, the region began to industrialize, after the U.S. government selected
Santa Clara Valley as the central location for the development of the high-tech
research military industry.\(^9\) The Santa Clara Valley area soon became widely

\(^8\) Sassen-Koob, *Growth and Informalization*, supra note 3, at 145.
\(^9\) The phrase “high-tech industry” is often used quite loosely by academics and the media alike.
Markusen and Bloch propose an operational definition of “high-tech industries” that encompasses two key
features: product sophistication and research-intensivity. Accordingly, they classify industries “with a
higher-than-average proportion of their workforce in scientific and technical occupations (engineers,
engineering technicians, computer scientists, life scientists, mathematicians)” as “high tech.” Ann R.
known as Silicon Valley, because it was the locus of the birth and evolution of the microelectronics industry. It was not, however, until the nonmilitary market for microelectronics boomed in the late 1960's and 1970's that Santa Clara County began to grow rapidly both economically and demographically. By 1970, this former agricultural valley had become one of the wealthiest and fastest growing urban areas in the nation. The industrialization of the region marked the beginning of a spectacular demographic growth that made San Jose, the capital of Silicon Valley, the fastest growing city in the country for several years during the 1970's. Today, San Jose, with its 782,225 inhabitants, is the third largest city in California behind Los Angeles and San Diego.

The transition of Santa Clara Valley from an agricultural to a high-tech economy had a crucial impact on the occupational and social structures of the region. In traditional manufacturing industries, such as automobile, metallurgy, and mining, most of the workforce is made up of semiskilled blue-collar workers. The electronics industry, by contrast, has a highly bifurcated occupational structure: highly educated engineers, scientists, and managerial workers on the one hand, and unskilled and semiskilled production workers on the other. For example, roughly 30% (50,000 - 70,000 persons) of the total labor force employed in the Silicon Valley microelectronics industry works in low-paid, semi-skilled operative jobs. While white men hold most of the professional and technical jobs, minority workers, especially women, hold a disproportionate share of the unskilled, low-wage jobs. In fact, between


The government chose Santa Clara Valley for several reasons, including the region's large number of major universities and research centers, its proximity to established military testing sites, its low union density, access to venture capital, and its first-rate telecommunications infrastructure. Manuel Castells, *High Technology, Economic Restructuring, and the Urban-Regional Process in the United States, in* HIGH TECHNOLOGY, supra at 11, 13.

10. Annelise Saxenian, *Silicon Valley and Route 128: Regional Prototypes or Historic Exceptions, in* HIGH TECHNOLOGY, supra note 9, at 81, 82.


13. Hossfeld, supra note 9, at 43.

14. Id. at 45-48. Numerous studies conducted in Silicon Valley have shown the tendency of the electronics industry since its origin to hire primarily minority and immigrant women, especially for unskilled assembly jobs. Susan S. Green, *Silicon Valley's Women Workers: A Theoretical Analysis of Sex Segregation in the Electronics Industry Labor Market, in* WOMEN, MEN AND THE INTERNATIONAL DIVISION OF LABOR 273, 273-331 (June Nash & Marfa P. Fernández-Kelly eds., 1983); John F. Keller, *The Division
75% and 95% of the industry’s assembly jobs are held by women who have emigrated from Third World countries to the United States.\footnote{Hossfeld, supra note 9, at 45-48.}

In addition to unskilled production jobs, the high-tech industry has created a large number of service sector jobs. Many of these are unskilled, low-income jobs in the janitorial, fast-food, and office work industries, all of which support the material infrastructure of the high-tech industry complex. Like unskilled production jobs, these jobs are filled largely by minority and immigrant workers. For instance, by 1985, Latinos held almost 80% of the clerical and operating jobs in the low-wage service sector.\footnote{Id.}

As one study commented, "[I]t is clear from casual observation that Latinos are the low-skilled, lower-wage workforce in San Jose’s service industries. These are the lowest paying and least rewarding occupations in this sector of the Santa Clara Valley economy."\footnote{Id.}

The industrialization of Santa Clara Valley also had a crucial impact on the nature of Mexican immigration to the region. From the 1930’s through the 1960’s, before the high-tech industry boom, Mexican immigrants were attracted to the valley because of the demand for agriculture and cannery workers.\footnote{This immigration process was facilitated by the Bracero Program, which was designed to remedy the shortage of farmworkers created by World War II. Under this program, Mexico and the United States agreed that Mexicans would be permitted to enter the United States temporarily to work in the agricultural sector. The Program was extremely beneficial to growers, who launched an intensive lobbying to extend the program until 1964, well beyond the end of World War II. By the time the program ended, a tradition of international migration linking numerous Mexican rural communities with California agribusiness was firmly institutionalized. Agreement Respecting the Temporary Migration of Migrant Agricultural Workers, Aug. 4, 1942, U.S.-Mexico, 56 Stat. 1759. JUAN V. PALERM, STATE EMPLOYMENT DEVELOPMENT DEP’T, FARM LABOR NEEDS AND FARM WORKERS IN CALIFORNIA: 1970 TO 1989, at 10 (1991). For a history of the Bracero Program, see RICHARD B. CRAIG, THE BRACERO PROGRAM (1971); ERNESTO GALARZA, MERCHANTS OF LABOR: THE MEXICAN BRACERO STORY (1964).}

Between the early 1960’s and the mid-1970’s, a second wave of Mexicans immigrated to the valley, attracted by the vast supply of unskilled jobs generated by the burgeoning electronics industry. A third wave of Mexican immigrants came to San Jose in the 1980’s and 1990’s, attracted by the large supply of unskilled jobs in such service-related industries as hotels and restaurants, landscaping, janitorial, and personal services.

Silicon Valley’s highly bifurcated employment structure is reflected in its income distribution. For example, while the top 20% of the households in the county earn 40% of the total household income, the bottom 50% of all area households earn only 24% of total household income.\footnote{Id.

of Labor in Electronics, in WOMEN, MEN AND THE INTERNATIONAL DIVISION OF LABOR, supra, at 346, 359-70; Hossfeld, supra note 9, at 45-48.}
the bifurcated employment and income structures in Santa Clara Valley’s high-tech economy, in turn, shape the residential patterns in the region. Engineers and professionals have tended to settle in the north of the county, where affluent residential communities like Palo Alto, Los Altos, Saratoga, and Los Gatos are located. Most of the less skilled immigrants, by contrast, settled in low-income barrios in San Jose, in the south of the county. These neighborhoods constitute “bedroom communities,” from which workers commute daily to work to cities such as Mountain View, Sunnyvale, Santa Clara, and Cupertino, where the heart of the high-tech industrial complex is located. These cities are within twenty miles of San Jose, and commuting at rush hours is long and slow. Workers depend on their own cars or rides from friends to go to work, because Santa Clara County’s widespread suburban communities do not have an adequate public transportation system. Latino workers live concentrated in East San Jose, an area consisting of a mixture of suburban single-family neighborhoods inhabited by working and middle-class minority workers and apartment-building neighborhoods inhabited by poor immigrant workers.

Since the 1970’s, these apartment building areas have become the main enclaves for Latino immigrant workers. The population is composed largely of low-income workers for the unskilled service industries that support the high-tech industrial complex. These barrios are densely populated, and are among the most troubled neighborhoods in the city. Residents face not only poverty, but overcrowded housing, inadequate infrastructure, and high unemployment or underemployment rates. The focus of my study is on one of these low-income immigrant barrios. The data on the diverse informal economic activities described in the rest of this essay are based on my observations of the experiences of immigrant residents of this barrio.

III. THE RESTRUCTURING OF THE JANITORIAL INDUSTRY: TOWARDS FLEXIBLE AND INFORMAL LABOR

This Part argues that the restructuring of Silicon Valley’s janitorial industry has been the main force behind the proliferation of formal and informal subcontracting arrangements in the industry over the past decade. To understand properly the growth of informal subcontracting practices, we must examine the transformation of the industry as a whole, including its formal sector. Thus, this Part first describes the restructuring of the janitorial industry in the 1980’s in Santa Clara County, and then provides case studies of three

Mexican immigrant janitors, which help us to understand the impact of this restructuring process on working conditions in the industry as a whole.

The janitorial industry, as well as other service maintenance industries in Silicon Valley, has grown tremendously because of the boom of the electronics industry since the late 1960's. The rapid expansion of electronic manufacturing plants, research and development facilities, banking, insurance, and law firms, as well as the commercial infrastructure that supports this development, generated a strong demand for janitorial as well as other unskilled maintenance personnel. Thus, in the last quarter-century, the demand for janitors grew fivefold.\(^\text{21}\) Today, Santa Clara County has one of the largest janitorial industries in California, due to the high concentration of high-tech companies, office buildings, and commercial centers, especially in cities like Palo Alto, Santa Clara, Mountain View, Cupertino, and San Jose. It is estimated that there were around 11,500 janitors in Santa Clara County alone in 1990, including public-sector, direct-employee, and private contractor janitors.\(^\text{22}\) This figure grossly understates the true number of janitors, since it does not include the large but undetermined number of janitors informally employed by independent, self-employed contractors. According to a report issued by the Cleaning Up Silicon Valley Coalition\(^\text{23}\) in 1991, there are approximately 300 janitorial contractors operating in the region, ranging from companies that employ more than 600 workers to small contracting firms that employ fewer than 10 workers. About 80\% to 90\% of janitors working in Silicon Valley are immigrants, mostly from Mexico and Central American countries.\(^\text{24}\) Thus, for example, in a survey conducted by Mines and Avina of five janitorial firms in the valley, approximately 80\% of the workers were from Mexico.\(^\text{25}\)


\(^{23}\) The Cleaning Up Silicon Valley Coalition was founded in 1991 and is composed of a number of labor groups, religious representatives, immigration and civil rights attorneys, social service agencies, students, and others. Its original goal was to support the campaign launched by Local 1877—the janitorial union of Santa Clara Valley—on behalf of the janitors for better wages, improved working conditions, and the right to organize. For a detailed history of the coalition, see Jesús Martínez-Saldaña, At the Periphery of Democracy and Progress: Binational Political Expressions of Mexican Immigrants in Silicon Valley (1993) (unpublished Ph.D. dissertation draft, University of California at Berkeley) (on file with author).


\(^{25}\) Mines & Avina, supra note 21, at 442.
A. Restructuring and the Influx of Immigrant Labor

The janitorial industry went through a major restructuring process in the 1980's that led to the downgrading of the working conditions in the formal sector, as well as the proliferation of informal firms operating under subcontracting arrangements. Before the 1980's the majority of workers in the janitorial industry in Santa Clara Valley, as in the rest of California, were minority and Latino immigrants who had been living in the country for a long time. In the 1970's, working conditions for Santa Clara Valley janitors, as well as for their counterparts in California, improved as demand for their services increased. Through the late 1970's, the industry's workforce was composed of two groups, so-called "in-house janitors," that is, workers directly employed by the companies for which they cleaned, and "contract janitors," that is, janitors employed by private janitorial firms and contractors. In-house janitors usually had the same working benefits as other employees in their respective companies, including health insurance and other fringe benefits. Moreover, they usually earned between $7 and $10 an hour, which was more than the amount brought home by contract janitors. In addition, large companies allowed in-house janitors to upgrade their skills and move to better paid, semiskilled occupations within the firm. Although the working conditions for contract janitors were not as good as those for in-house janitors, the existence of unions assured that working conditions were comparable to conditions for other unskilled or semiskilled occupations. Thus, unionized contract janitors received sufficient fringe benefits as well as wages that ranged between $6 and $7 an hour.

By the early 1980's, however, working conditions worsened for both groups of janitors as the industry began restructuring. In an attempt to reduce labor and operating costs in areas that they considered not essential to their productive process, companies that had employed in-house janitors began contracting out their cleaning and other maintenance operations. In-house janitors were given early retirement packages, moved to other positions, or simply laid off. The trend towards contracting was visible not only in the private sector, but also in public sector institutions. As more janitorial services were contracted out, working conditions for janitors declined considerably. Wages fell to between $4.25 and $6.50 an hour, and fringe benefits eroded significantly. Unlike the high-tech companies, most of the nonunion subcontractors did not provide medical insurance.

26. Id. at 441.
27. Id.
28. Id.
At the same time, the Contractors' Association of Building Maintenance of Santa Clara County introduced a two-tier master contract, which Service Employees International Union (SEIU) Local 1877 was forced to sign to avoid further inroads by nonunion contractors into the market. Since the early 1980's, nonunion contractors had been expanding into the market formerly controlled by unionized firms by underbidding the latter with lower labor costs. In 1985, for example, nonunion contractors paid between minimum wage and $5 an hour, while union contracts required wages between $5.12 and $7.96 and provided for ample fringe benefits.\textsuperscript{29} Local 1877's new contract provided that new employees were subject to a four-year apprenticeship period, during which time they were paid only a percentage of journeymen's wages. The new contract is explained by Mines and Avina as follows:

\begin{quote}
The agreement is tantamount to the two-tier system, which has allowed unionized firms to lower their labor costs. The flexibility of the "advancement program" has allowed several foremen at unionized firms to tap into networks of recently arrived Mexican immigrants and institute high turnover in an effort to keep an ever-changing work force from achieving journeymen's wages.\textsuperscript{30}
\end{quote}

As a result of this restructuring process, the Santa Clara Valley janitorial industry became dependent on a large pool of cheap and easily replenishable Latino immigrants. Working conditions were downgraded, and janitorial work went from stable, relatively well-paid, unskilled family-wage jobs to unstable, low-paid, nonfamily-wage jobs that only immigrant workers were willing to accept.

Today, the janitorial workforce consists of three major groups. The first group consists of janitors who work for large unionized companies, for which wages range between $5.70 and $8.81 an hour and rarely exceed $7.00 per hour. Health insurance and some other fringe benefits are also provided.\textsuperscript{31} The second group consists of janitors employed by medium- and small-size cleaning contractors, most of whom are nonunionized. This group normally receives wages below $5.50 per hour, with no medical or other fringe benefits. While large unionized janitorial companies tend to specialize in high-tech facilities and big buildings, medium and small-size firms normally compete for cleaning contracts with restaurants, food stores, shops, and other commercial centers.

\textsuperscript{29.} \textit{Id.}
\textsuperscript{30.} \textit{Id.}
The third group is composed of self-employed contractors who informally employ a small crew of workers to fulfill out their contracts. These small contractors usually clean small business offices and independent restaurants, laundries, and the like. Unlike the firms and employers of the former two groups, these small contractors employ mostly middle-aged immigrant women who cannot find better employment elsewhere or be hired as janitors in the firms that normally employ only young immigrant males. Small contractors usually pay their workers in cash, based on work done, rather than on an hourly basis. As a result, wages usually run around $3.30 an hour and almost all their working conditions violate regular health and safety standards. Janitors in this group are, by far, the most exploited in the industry.

In sum, as the result of the restructuring process, janitorial work is an occupation for recent immigrant workers who can be easily replaced in order to keep labor costs down. Consequently, minority (e.g., Chicano\textsuperscript{32}) and immigrant workers who had been living and working in the United States for a long time have been largely replaced by a new cohort of recent Mexican immigrants, many of whom are undocumented. The latter, because of their vulnerable legal position, can be easily exploited by their employers, thus facilitating the high-turnover strategy. As most of the minority and old immigrant janitors have disappeared from the industry, the janitorial industry today has become a labor niche in which recent immigrants compete with one another for work, with newly arriving immigrants usually displacing other recent immigrants.

Despite the replacement of more experienced groups of workers by recent immigrants in Santa Clara Valley’s janitorial industry, Local 1877 membership has not declined as much as that of other janitorial unions in California. For example, SEIU Local 399 in Los Angeles substantially abandoned unionized janitors by mid-1985.\textsuperscript{33} In the mid-1980’s, SEIU Local 77, a predecessor to Local 1877, started a campaign to keep nonunion firms from winning large cleaning contracts. In the late 1980’s, the union launched a “Justice for Janitors” campaign to organize immigrants working for nonunion firms that had contracts with large, high-tech companies in the valley. Many of these companies had replaced their in-house unionized janitors with nonunion immigrant workers employed by independent contractors. Local 1877 had its first major organizational victory in 1991-1992, when it launched a well orchestrated and successful public campaign to force Apple Computer, the multinational company headquartered in Santa Clara County, to replace its

\textsuperscript{32} The term “Chicanos” is used here to refer to Americans of Mexican descent. The term “Latinos” is more inclusive, referring to native-born and immigrant Americans of Mexican or Central/South-American descent.

\textsuperscript{33} Mines & Avina, supra note 21, at 41.
nonunion contractors with a union firm. The success of the campaign was largely due to the support of the Cleaning Up Silicon Valley Coalition, described above, which brought together a number of respected organizations to denounce the poor working conditions of immigrants in the valley. The Coalition organized public hearings in front of city, county, state, and federal public officials to denounce the low wages and poor working conditions of janitors in Santa Clara County, especially those employed by nonunion contractors.\footnote{For a detailed history of Local 1877 organizational strategies and the role of the Cleaning Up Silicon Valley Coalition, see Martínez-Saldáña, supra note 23.}

Since the landmark victory in the Apple campaign, the main strategy of Local 1877 and the Coalition has been to use public campaigns to target nonunion firms that have contracts with nationally or internationally known corporations. The goal of the campaign is to force the corporations to award their cleaning contracts to union firms. Corporate clients usually resist at first, but eventually yield to union demands in order to avoid damage to their public image. The campaign has achieved three goals. First, it has contributed to Local 1877's ability to regain control over a segment of the building service industry that had been lost to nonunion contractors since the early 1980's. Second, it has contributed to improvements in the wages and working conditions of thousands of janitors who were previously working for nonunion contractors. Third, it has demonstrated that organizing immigrant workers is not an impossible or utopian task as many in the labor movement once thought.

B. The Cases of Three Immigrant Workers

The following three case studies are of immigrant workers who live in the low-income barrio described above, where I conducted my fieldwork. The first is the case of a young Mexican immigrant man working in a large janitorial company; the second is the case of another young Mexican man who works for a small janitorial firm; the third is the case of a middle-aged Mexican immigrant woman informally employed by an independent contractor.

1. Luis

Luis is a twenty-five-year-old Mexican immigrant who came to San Jose in 1988 from Michoacan, Mexico. Since he came to San Jose, Luis has worked as a janitor for three different companies. He first started working for Pentrac,\footnote{All company and personal names used in this Essay are fictitious.} a janitorial firm servicing Medex, one of the major pharmaceutical
companies in Silicon Valley. When Luis started working for Pentrac, Medex was in the midst of restructuring its cleaning operations and replacing its in-house janitors with janitors from outside agencies: This reorganization had started in 1987, a year after the Immigration Reform and Control Act (IRCA)\(^3\) was approved, and when Luis was hired by Pentrac in 1989 there were still nine in-house janitors at Medex and another nine from Pentrac. At that time, Medex’s in-house janitors were making an average of $10 an hour, while Luis and the rest of Pentrac’s janitors were making only $5.50. A year after Luis began working at Medex, the company increased the size of the area assigned to each janitor to clean as a way of keeping labor costs down. After a few weeks, Pentrac janitors started to complain, and, as a result, three of them were fired. In response, the coworkers, accompanied by their union representative, held a rally in front of Pentrac’s headquarters. Coincidentally, a week later, the INS started investigating Pentrac’s employee files; thirty janitors, including Luis, were fired because they lacked valid work permits.

After being fired by Pentrac, Luis started looking for another janitorial job. Within two weeks, he was hired by Bay-Clean, thanks to the help of a friend who was working there. Bay-Clean was the main janitorial service for Sonix, one of the biggest electronics companies in Silicon Valley. As in the case of Medex, Sonix had decided to reduce its own janitorial workforce and subcontract the cleaning of its numerous buildings to janitorial contractors. In 1989 the company gave its in-house janitors the option of receiving either training for other semi-skilled positions (e.g., shipping and receiving, and maintenance) or a compensation package with an early-retirement plan. This change was part of Sonix’s larger plan to reduce operating costs by contracting out secondary manufacturing and service operations to independent firms. When Luis started cleaning at Sonix, he was paid $5.50 an hour without health insurance or other fringe benefits, while the only in-house janitor left was making $10 an hour plus insurance and fringe benefits.

Local 1877 and The Cleaning Up Silicon Valley Coalition pressed Sonix to suspend its cleaning contracts with nonunion firms and contract with a unionized company. In order to avoid negative publicity, Sonix agreed and awarded its contract to CLS, one of the largest unionized janitorial companies in the region. Like the rest of Bay-Clean’s janitors, Luis was transferred to CLS, and continued cleaning Sonix buildings but under a new contract. This change brought mixed results for Luis. On the one hand, his wages went up $1 an hour, and after three months he started receiving medical insurance coverage. Moreover, he and his coworkers were now protected by the union

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from unfair labor practices by their employer. However, Luis’ workload increased considerably, as CLS reduced by eight (from 23 to 15) the number of janitors assigned to one of the Sonix sites. Increasing the workload is a common strategy used by union companies to keep their labor costs down and thus remain competitive with nonunion contractors.

Luis feels pessimistic about potential improvements in the working conditions of janitors. Since many of his coworkers are, like himself, undocumented immigrants, he thinks they are in a vulnerable position and companies will always take advantage of them. Luis is similarly pessimistic about improving his living conditions. He shares a two-bedroom apartment in the barrio with five other young Mexican immigrant men, including his brother. Three of them also work as janitors for CLS, while one is a worker in a small furniture factory and the other a day laborer. Like many households in the barrio, Luis and his roommates pool their incomes to meet rental payments and to pay for food and other basic necessities. This large, nonfamily household is a useful arrangement for its members when they are unemployed. It is also a convenient arrangement for immigrants who do not have family in San Jose. Although Luis believes that janitorial work is a dead-end job that does not offer him any possibility of improving his standard of living, he does not have many alternatives, since the other labor markets that rely on immigrant workers do not offer any better working conditions or opportunities.

2. Jose

Jose is a twenty-year-old Mexican from El Español, a small rural village in Guanajuato. He came to San Jose in 1990 to join his mother, Maria, who had come to San Jose in 1986 with her youngest daughter, age 10, and another son, age 12. Jose started working for Building Maintenance, where one of his cousins was already employed.

Building Maintenance employs approximately 70 workers and has contracts with several large supermarkets, including Safeway and Pack & Save, located throughout the South San Francisco Bay Area, Salinas, and Monterey. Jose worked with Building Maintenance for two years, and earned $5.50 an hour without health insurance or other benefits. Building Maintenance has an extremely high turnover rate; janitors are hired and fired—or they quit—on a weekly basis. This high turnover is due to the harsh working conditions the janitors must endure, including paychecks that bounce, unpaid overtime, verbal mistreatment by management, and a shortage of cleaning supplies necessary to complete their work. In fact, Jose and his work crew were once asked by their boss to steal cleaning products from the store they were hired to clean because Building Maintenance did not have a sufficient supply. Although Jose
and the others knew that stealing supplies was illegal, they were afraid to inform the store management because they thought they would lose their jobs. Given such harsh conditions, Building Maintenance janitors commonly try to find work in other janitorial companies, and leave as soon as they have the opportunity.

In 1992, Jose did lose his job; he was fired from Building Maintenance after complaining about the harsh working conditions. Jose filed applications with other janitorial companies, and after a month he was hired by Western Cleaning, another medium-sized janitorial company based in San Jose where his brother-in-law, who lives with him, was working. In many respects the Western Cleaning job was better than that with Building Maintenance. His hourly wage was higher—$5.75—and the working conditions were better. But he worked only four days a week, so his weekly salary was lower than before. As a source of supplemental income, Luis and his brother-in-law decided to start their own small janitorial company. They repaired cleaning equipment that had been discarded by the companies where they had worked, and they printed business cards with their home address and distributed them among small stores and offices. Once in a while, they are called to do a specific cleaning job, which helps them to supplement their meager wages as janitors in the formal sector.

Jose lives in a household composed of his extended family and two unrelated Mexican immigrants. There are usually about ten people living in the two-bedroom apartment, although this number changes over time. This type of extended household gives flexibility to its members when they are experiencing difficult economic times and is an important adaptive strategy for workers in the unstable janitorial industry. For example, when Jose was fired from Building Maintenance, his share of the rent was paid by his sister’s family and by the other working members of the household.

3. Carmen

Carmen, a forty-two-year-old Mexican woman from Jalisco, represents a typical case of an informal janitor working for an independent, self-employed contractor. In 1989, Carmen started working part-time for an African-American small janitorial contractor, who also employs three other Mexican women. The contractor competes with other self-employed janitors and small firms for cleaning contracts with small buildings, offices, stores, day care centers, and other small businesses. Since competition is fierce, Carmen’s employer wins and loses contracts on a regular basis. These variations in the business directly affect the number of hours that Carmen can work. During my fieldwork period, there were weeks when she worked 36 hours, and others when she
Carmen's working schedule also is very "flexible." Although she is on call daily beginning at 6 p.m., her first job of the day might not begin until as late as midnight. Hence, her seven-hour shift can start at any time from 7 p.m. to 2 a.m., and varies from day to day.

Given the instability of her informal janitorial employment, her monthly earnings fluctuate between $200 and $440. To compensate for the irregularity and low earnings of this job, Carmen has other part-time jobs in the mornings, such as baby-sitting, cleaning houses, and caring for elderly people. Currently she works from 8 a.m. to 1 p.m. as a maid and caretaker of an elderly woman, and then at night as a janitor. While this double shift and the lack of a regular working schedule have seriously affected Carmen's health, she cannot afford to leave any of these jobs because she must pay the monthly share of her rent and living expenses for herself and her children.

Carmen lives in an extended family household of sixteen people, six of whom are workers, including four who work as janitors and one who works as a painter. This extended household is a useful living arrangement for all the working members, who are subject to a high degree of instability in their employment. Carmen believes she cannot continue working like this for much longer given her poor state of health. Her only hope is that when she adjusts her legal status in the near future she will be able to find a better-paying and stable job.

These three brief profiles of Mexican immigrant janitors illustrate some of the conditions prevalent in the industry today. Luis typifies the young Mexican men who came to Silicon Valley in the 1980's and who constitute the backbone of the restructured janitorial workforce. Luis and other young and "renewable" immigrant workers have largely replaced the older veteran janitors in most of the industry's large companies. Yet, unlike other occupations that traditionally have been points of entry for immigrant workers and that offered workers the opportunity to move up (including the janitorial sector prior to its restructuring), the janitorial sector today offers workers only dead-end jobs. Jose's case illustrates the difficult working conditions and extremely high turnover rate that prevails in medium- and small-sized janitorial companies. Although many of these firms violate wage, health and safety standards, they are usually beyond the control of the union, because of their small size and volatility. Carmen's case exemplifies the fierce competition that characterizes the labor niche of self-employed janitors. Immigrants who work for these contractors are the most exploited of the Silicon Valley janitorial workforce. Not surprisingly, a significant number of them are middle-aged Mexican
women whose job opportunities are restricted to such informal and unstable occupations as baby-sitting and house-cleaning.

In all of the cases described above, the extended household is the critical element that allows Luis, Jose, and Carmen to survive given the instability of their employment. Extended and flexible household arrangements are the basic institutions by which immigrant workers cope with the meager wages and instability that characterize their employment. In this sense, extended households can be understood as a key factor facilitating the accumulation of capital in those highly competitive industries that rely on low-wage "flexible" immigrant labor.

C. Informal and Flexible Labor

The restructuring of the janitorial industry in the 1980's exemplifies the general trend toward the use of flexible and informal labor that has characterized many California industries in recent years (e.g., agriculture, landscaping, and canning). There are three major consequences of this process in the janitorial industry: (1) the deterioration of labor conditions in the formal sector, including wages, employment stability, fringe benefits, and the possibilities for advancement; (2) the transformation of the industry into a labor niche for immigrant workers, who are the only ones willing to accept such low wages and precarious working conditions; and (3) the proliferation of firms operating in the informal sector through subcontracting. Thus, the restructuring of the janitorial industry has led to greater market informality in two ways: first, in the proliferation of firms that disregard governmental regulations such as occupational health and safety standards, overtime laws, and the minimum wage (as in the second case study analyzed above); and second, in the growth of firms and contractors that operate entirely within the informal sector (as in the third case study presented above). Labor flexibility refers to the use of either temporary, part-time or self-employed workers in jobs that were previously held by full-time workers.

IRCA, which was enacted in 1986, has also played a major role in inducing the growth of subcontracting. Many companies that once employed immigrant workers directly are not willing to continue doing so because of possible legal repercussions; instead, they use subcontractors. Additionally, subcontracting was widely used by large corporations as a strategy to combat organized labor in the 1980's, particularly in the agricultural, janitorial, service, and canning sectors. In the case of the janitorial industry in Silicon Valley, contracting with nonunionized companies was a significant means by which
large high-tech companies were able to reduce their cleaning maintenance costs.\(^{37}\)

In sum, the restructuring of the Santa Clara Valley janitorial industry and the proliferation of subcontracting have been key factors behind the growth of the informal economy in this industry. There is no sharp distinction between the formal and informal sectors in the janitorial industry in Santa Clara Valley. They are not two separate parts of an industrial sector. Rather, they are parts of a continuum in which the degree of informality increases as one moves from large to small-scale companies. Informality is but one aspect of a broader trend towards the increasing flexibility of labor that has affected the janitorial industry since the late 1970's. As we have seen, this increasing flexibility of labor has impaired the working conditions of all janitors in the industry.

IV. THE OTHER INFORMAL ECONOMY: CASUAL EMPLOYMENT AND SELF-EMPLOYMENT

In addition to engaging in informal work in industries like janitorial services, landscaping, and construction, usually through subcontracting, residents of the barrio I studied engage in a large array of informal economic activities. These activities take place in the informal economy, which we have defined as "the production and/or sale of licit goods and services . . . outside the regulatory apparatus" of the state.\(^{38}\) They usually consist of small-scale income-generating activities such as home and street vending, house cleaning, baby-sitting, day labor, and recycling. Indeed, one of the most visible features of low-income Mexican immigrant neighborhoods is the variety of informal income-generating activities which their residents pursue. Street and home vending are the most notorious, including the sale of homemade food (e.g., tamales, elotes), sodas, candy, vegetables, clothes, beauty products, household appliances, and decorative objects. In most cases, these informal economic activities represent supplemental sources of income for families whose workers are employed in low-wage jobs in the formal sector (e.g., janitors and gardeners). They rarely are the primary source of income for these families. Instead, they constitute economic strategies by which low-income families try to generate additional income to meet their basic needs.

Mexican immigrants who live in low-income barrios are the main consumers of goods produced and distributed through informal channels. The lack of food and other basic stores is one of the main factors that explains the proliferation of street-vending activities in such neighborhoods. Different types

\(^{37}\) See Mines and Avina, supra note 21, at 441-43 (discussing history of Local 77 in Santa Clara Valley).

\(^{38}\) Sassen-Koob, Growth and Informalization, supra note 3, at 145.
of street vendors selling goods such as tortillas, cheese, vegetables, ice cream, or clothing come to the neighborhood on a daily or weekly basis. The ability to buy these products on credit is especially important for working-poor families, who otherwise would not be able to meet some of their basic consumption needs. As a result, this demand is a central factor in the presence of informal vending activities in poor neighborhoods.

It would be a mistake, however, to think that there is a rigid distinction in the division of labor among household members between the formal and informal sectors. In fact, it is very common that the same workers combine occupations in the formal and informal sectors. Transitions between the two sectors also are common, given the instability of many of the unskilled formal jobs that Mexican immigrants hold. Thus, someone working today as a janitor may be working next month as a day laborer and three months later as a restaurant waiter.

The case of Jaime Leon follows this pattern. He came to San Jose in 1991 to join his brother who had been in the city since 1988. His brother was working as a janitor. Jaime worked as a day laborer for three months until his brother helped him get a job in the janitorial company where he worked. After seven months, this company laid Jaime off, and he returned to work as a day laborer. There he met a landscaping contractor, for whom he worked for two months, after which his former janitorial employer hired him once again. Today, he still works as a gardener with his informal contractor in the morning and as a janitor at night. This constant change of jobs and employers in the formal and informal sectors is one of the central characteristics of the labor experience of Mexican immigrants.

Informal economic activities often involve various members of immigrant households, including adults, children, and elderly people. Laura Camacho is a typical example of an adult street vendor. Since she arrived in San Jose in 1991, she has been selling tortillas, sodas, bread, and other products in the barrio. Her aunt-in-law, an experienced street vendor herself, introduced Laura to the business and taught her its secrets. Since then, Laura has made some innovations in her products to meet the specific demands of the residents of her neighborhood. Working in the afternoons for four hours each day, seven days a week, she usually makes about $20 a day, which represents a small but critical addition to her husband's minimum wage as a carpenter's aide and helps to pay their rent and basic living expenses.

Eleven-year-old Ismael provides an example of a child laborer in the informal sector. After school he helps and sometimes substitutes for his mother baby-sitting at home. On the weekends and during school vacations, Ismael and two of his friends work in the parking lot of a big supermarket, helping
customers put groceries in their cars in exchange for tips. Though meager, his earnings help his mother balance the family’s weekly budget.

Finally, the elderly also engage in informal income-generating activities to help their families and provide for their own needs. Many of the barrio’s elderly residents do not receive any kind of pension or Social Security benefits, either because they worked as seasonal farmworkers with fake Social Security numbers and never adjusted their status, or simply because they emigrated to the United States too late to qualify for the amnesty program. Gustavo, for example, is a sixty-year-old ex-farmworker who first came to the United States in 1970. He worked every year, following the crops in California agriculture, and later moved to San Jose to work in the cannery industry, restaurants, and other unskilled service occupations. He never filed the forms necessary to adjust his status in the United States; hence, although he retired a few years ago, he has never collected any Social Security payments. He lives in an extended family household with his wife, a married daughter and her children, and a single son. Both of his children work as electronics assemblers. In the mornings and evenings, he collects cans and other recyclables in the barrio and surrounding areas. The income generated in this activity allows him to contribute to the family fund for food and to cover his own needs.

Not all of the informal street-vending activities that take place in the neighborhood are undertaken by people who live locally. Some of the street vendors in the neighborhood are part of a large informal network that operates throughout California. Oscar engages in this type of geographically extended, informal selling activity. A twenty-year-old originally from Mexico City, Oscar immigrated to Los Angeles in 1990. Since then he has worked as an informal vendor for a small family firm located there. In addition to selling these products in Los Angeles through informal street vendors, the owner has a team of four young salesmen who travel weekly to sell their products door to door in some of the main rural and urban areas with large Mexican immigrant populations (e.g., Oxnard, Santa Maria, Fresno, Watsonville, San Francisco, and San Jose).

*Diversity within the Informal Neighborhood Economy: Three Case Studies*

Informal economic activities in Mexican immigrant neighborhoods are more varied than they appear at first glance, as are the reasons why immigrants engage in particular types of informal activity. For some, informal employment is an alternative to a low-wage occupation in the formal sector. For others, petty informal economic activities supplement their or their family’s incomes. Finally, for the few immigrants with professional degrees, self-employment in
the informal sector may be the only opportunity to use their skills. The three brief profiles of immigrant workers that follow exemplify this diversity.

1. **Elena: Informal Employment as Supplemental Family Income**

Elena, a thirty-eight-year-old immigrant from Guadalajara, Mexico, is married to a gardener, with whom she has seven children. They both came to San Jose from Mexico in 1975. Elena's husband worked in a restaurant for five years, after which he worked as a gardener for six years, earning $7 an hour. In 1988 he had an accident on the job and was unable to return to work for a year. Because his unemployment benefits were not enough to support the family, Elena began to work. She started as a janitor for a large company that had a contract to clean at Macy's. This job was incompatible with household responsibilities such as bringing her children to school, cleaning the house, and cooking for the family, and it only paid $5.25 per hour.

She decided to work by herself in a job that gave her enough flexibility to carry on her household activities. Elena started her career in the informal sector by selling music tapes in the streets and door to door. She bought them from an intermediary in Los Angeles for $1 each and sold them for $3. Over time she hired four other vendors, to whom she paid 40% commissions. The parking lots and corners of the major Hispanic shopping centers, as well as Mexican neighborhoods, were the main places where Elena and her vendors sold their merchandise. Elena's business was relatively successful, partially due to the fact that she started selling music tapes well before the market was saturated with other vendors. In addition to tapes, Elena sold homemade *elotes* (a typical and popular Mexican food). In this way she tried to diversify her risks and ensure a minimum stable income. After about eight months, however, Elena started having problems with the music-tape business. Two of her vendors left, and more people began selling tapes in the streets. Elena decided to try something else. Through a friend, she started selling beauty products for a large company that distributes its products through door-to-door vendors. She used her extended social network to promote and sell her products. She also used her network to recruit new vendors and she then received a percentage of their sales. After having built up a reliable clientele, she started selling kitchen pots and affordable jewelry items such as watches, earrings, and necklaces.

Despite the variety of products she sells, Elena's earnings are highly irregular and unstable. Her monthly earnings oscillate between $100 and $500, depending on the time she invests and the demand for her products. One of the major problems is that she often sells on credit, and there are always people who pay late or fail to pay at all. In order to avoid saturating her clients with
the same products, Elena often changes her merchandise. During the time of my research, I saw Elena selling kitchen pots, beauty products, home appliances, music tapes, jewelry, and homemade Mexican food. In 1991 Elena's husband went back to work, yet she continued selling. This is due, in part, to changes in the landscape industry; wages for gardeners have gone down, and now her husband is making $5.50 per hour, $1.50 less than he made two years ago in the same position. They need both incomes to maintain the family.

Elena typifies the worker who engages in economic activities in the informal sector mainly to supplement the low wages brought in by the household’s principal earner in the formal sector. This type of informal supplemental income is very common among Mexican immigrant families. Out of the twenty-two families I studied in more detail, fourteen (64%) were engaged in some kind of supplemental informal economic activity.

2. Arturo: An Alternative to Formal Employment

Arturo is a twenty-eight-year-old Mexican immigrant from Puebla, who came to San Jose in 1986 with his wife. They have had two children since then. His first job was as a janitor, making $5 an hour. After eight months, he decided to leave this job because he felt the work was hard, he resented his supervisor's treatment, and he did not like working at nights. His brother, who had come to San Jose with him, was selling paletas (popsicles) in the street and convinced Arturo to join him.

In 1987, Arturo started work as a palettero (popsicle vendor), and has done so every year since then. He starts in March. Arturo obtains the paletas and the mobile cart to carry them from a factory located in downtown San Jose. Under the standard arrangement he and the other vendors have with the company, for each paleta they sell the factory keeps 42 cents. Although in theory each palettero is free to sell the paletas at any price and keep the difference, the standard price for paletas in the streets is 75 cents; hence they make a profit of 33 cents for each paleta sold. They also have to pay the company $2 for cart rental and $2 for ice each day they work. There is no formal agreement between the company and the vendors, nor do the latter pay any taxes on their profits, which are paid in cash. The vendors are not obliged to work every day, and in fact there is a continual shift in the vendors who work for this company. Most of the vendors are undocumented Mexican immigrants, for whom this job represents a good opportunity to work and enter the labor market.

The factory usually has an average of thirty-five paletteros working during the summer. There are three types of people who work in this business. The
first type are recent immigrants, normally very young, who are either alone or have no social network to help them get better jobs. For them, this work functions as a point of entry into the job market. Turnover is highest in this group. There is a second, more stable group, formed of people like Arturo who have been working as *paleteros* for a long time, and who have enough experience to make this job their way of life. The third and final group is made up of old men who cannot find work elsewhere and for whom being a *palatero* represents their only source of income, although many of them live in extended families.

Arturo normally works from 11 a.m. to 7 p.m. He sells his *paletas* in three Mexican neighborhoods in the East Side. He spends most of his time in the street areas dominated by apartment buildings, where the population density is higher. After five years working as a *paletero*, Arturo has developed an extended network of clients in these neighborhoods. Arturo complains that in the past two years the number of *paleteros* in the streets has grown dramatically. He remembers that for three years he was almost the only *paletero* working in these neighborhoods, while now the streets are “saturated” with vendors from his and other companies. In fact, in 1987, when Arturo first started selling *paletas*, there was only one *paleta* factory in San Jose; by 1993, there were four factories operating in the city. Given the rise of competition in this market and the subsequent decrease in profits, Arturo plans to buy his own truck and sell ice-cream, *paletas*, and candy in order to remain profitable.

Arturo makes between $30 and $40 a day, although his earnings are occasionally higher, especially in June and July. Despite the variations in his earnings, Arturo prefers this occupation to his former job as a janitor for several reasons. First, he feels more independent and can determine his own schedule. Second, he enjoys not being controlled by a supervisor, with whom he had bad experiences when working as a janitor. Third, he makes about the same money most of the time as if he were working in a regular unskilled job, and in the summer he earns considerably more.

The hardest season of the year for Arturo is the winter. From November to March, he engages in a series of selling activities until the time to sell *paletas* starts again. In the winter, he sells flowers, Christmas cards, and tamales. The Christmas card business is also organized by the *paleteria* company’s manager, who makes similar arrangements with the vendors based on a percentage of the cards sold. The flower and tamale activities arise from independent arrangements Arturo has with two friends who have experience in these activities. Arturo lives in a two-bedroom apartment in a barrio next to the one I studied. He and his nuclear family share the apartment with his uncle’s nuclear family, paying $350 a month for the room they occupy.
Arturo is one of many immigrants who prefer to work in the informal sector rather than in unskilled, minimum-wage jobs in the formal economy. They are willing to trade the risk of irregular earnings for the greater autonomy, work schedule flexibility, and independence from direct supervision found in the formal sector. Immigrants whose work in the informal economy is their principal income source still constitute a minority, however. In most cases, working in the informal economy is a strategy to provide a supplement to family income generated in the formal sector.

3. Armando: The Case of an Informal Dentist

Armando was born in Michoacan, Mexico in 1963. His parents and three of his siblings immigrated to the United States in 1966, while he and a brother stayed in Mexico with their grandparents. Thanks to the money his parents sent them, he was able to attend a local public university and graduate as a dentist in 1986. In 1987, Armando and his wife came to San Jose to join the rest of his family. Armando did not originally plan to emigrate to the United States. Instead, he intended to open a dental clinic in Morelia and work with his wife, who had also graduated from the same university. He was faced, however, with the problem of obtaining the capital needed to buy the basic instruments for his clinic. His father suggested that he come to the United States and work to buy the instruments, where they would be much cheaper than in Mexico. His father also offered to lend him money to make this transition. In 1987 Armando and his wife moved to San Jose in order to earn the money to buy the equipment necessary to open his own clinic in Mexico.

Armando’s first job in the United States was in construction as a painter, a job he got through his brother, who had held the same job. Armando soon realized, however, that by getting a dental assistant’s degree, he could work as an assistant in a dental clinic and make more money. After obtaining the degree, he started work in a private clinic as a dental assistant, making $8 an hour. At the same time, relatives and friends who knew of his profession began asking him for basic dental work such as fillings, tooth extractions, and cleanings, which he did for free. Over time, Armando started doing dental work for more friends, acquaintances, and people recommended by former patients. He decided to set up his own clinic at home and work there part-time after coming home from his other job. With money he had saved and additional funds lent to him by his parents, Armando started buying basic equipment for his clinic. Today, his office consists of three small rooms, one where he sees patients, another where he keeps patients’ records, and a laboratory where he prepares the material to be used in his work (e.g., false teeth). There is nothing, however, on the exterior of the house that indicates
there is a dental clinic inside. Rather, he reaches all of his patients through word-of-mouth.

Armando’s patients are almost all Mexican immigrants who cannot afford to go to a regular dental clinic. His records show that most of his patients are low-income workers—janitors, electronics workers, construction workers, and unemployed people. Moreover, a growing number of his patients cannot afford to pay the increases in their health/dental insurance, have lost their insurance entirely, or have been laid off in the recent past. In the last three years, Armando has seen about 160 individuals, 45 of whom he currently treats.

Although the types of services offered in the clinic have increased over time, Armando only provides basic services in order to avoid malpractice suits and other legal problems that can arise from more complicated work. He always checks how potential patients found out about him, in order to make sure he can trust them. In addition, he turns down individuals who he suspects are taking drugs, given the potential complications when using anesthesia. He acknowledges that working without a license places him in a vulnerable position because he cannot get insurance with which to protect himself. Finally, Armando updates his skills by practicing in his clinic, observing the practices in the licensed clinic where he works, and subscribing to a number of American professional publications.

Armando charges about a third of what licensed dental clinics charge for the same treatments. In addition, he gives ample credit to his clients, without demanding initial down payments or regular monthly installments. He maintains a very flexible and loose policy regarding payment methods. This flexibility is what allows him to keep his clients, who otherwise could not afford to pay for his services. This very payment policy, however, is one of the central problems that prevents him from establishing a more stable and profitable practice.

After working for two years both as a dental assistant in a private clinic and part-time on his own, Armando decided to leave his job as an assistant and work full-time in his clinic. He made this decision for several reasons. First, he did not have a regular schedule as a dental assistant, which interfered with his ability to keep appointments with patients in his clinic. Second, he was never given a raise, and was angered to see other workers in the clinic, with much less education and experience in the profession, making more money than he made with a university degree. Finally, he estimated that he could make more money by working full-time in his clinic than by working both jobs. As a result of his decision, his earnings from the clinic rose from $800 a month working part-time to $1,800-$2000 a month working full-time. Since he had made about $1,000 as an employee of the licensed clinic, his monthly
income remained about the same, yet he worked fewer hours than before and had a more flexible schedule.

Armando enjoyed this change for about two years. However, at the end of that period he decided to return to work as a dental assistant and combine it with his own office part-time once again. The principal reason for this decision was the irregularity with which his patients paid their bills. Many patients were consistently late with their dues and others did not pay him at all. Since he was an unlicensed doctor, he did not have recourse to legal mechanisms to press his debtors. Instead, he had to be constantly careful not to upset his clients so as to avoid being reported to the authorities. Tired of his irregular monthly income and time spent reminding patients to pay, he decided that as a dental assistant he could, at least, ensure a minimum, stable monthly wage. Today, he works from 8 a.m. to 5 p.m. in a private clinic, and sees patients at home after 6:30 p.m.

Despite the problems of working without a license, Armando does not want to regularize his position by getting licensed. He prefers his current status although he believes he could make much more money as a licensed practitioner. He believes that his profession is overregulated in the United States, forcing dentists to have multiple types of insurance to protect themselves from potential legal problems. He plans to continue working as an unlicensed dentist for two more years to save money, buy the necessary equipment, and return to Mexico and open a clinic there.

Armando is one of a small, but growing number of Mexican immigrants with professional degrees who came to the United States in the 1980's, due to the decreasing purchasing power of their salaries and the high unemployment rate among certain professions in Mexico. While many of them now work in unskilled jobs unrelated to their training (e.g., a Mexican doctor in San Jose working as a janitor in the United States), some manage over time to make use of their professional skills, often in the informal sector. This alternative is made possible by the large demand for medical and other professional services by low-income immigrant workers who, because of their legal status and/or economic position, do not have access to these services in the formal sector. Armando's case also exemplifies the dilemmas faced by professionals working in the informal sector. While there is demand for their services, their unlicensed status keeps them vulnerable, preventing them from having stable or even highly profitable businesses.

The three brief case studies outlined above show the diversity of small-scale informal economic activities in which Mexican immigrants engage in large California cities like San Jose. These activities are essentially strategies by which immigrants seek to provide additional income to their family budget. The proliferation of these activities cannot be understood in isolation. Instead,
it needs to be seen in the context of the low-wage and unstable working conditions of immigrant workers in the formal sector, requiring this additional income. These small-scale informal economic activities are overlooked in Sassen's studies of the informal economy in the United States. A careful study of them, however, is necessary to document properly the complexity of the informal economy in the restructured U.S. economy. From a theoretical perspective, one cannot understand how immigrant labor subsists and is reproduced, nor how capital is accumulated in industries that rely on immigrant labor, without analyzing these informal economic activities.

CONCLUSION

The informal economy is not homogeneous. Rather, it contains a large variety of activities—subcontracting practices in major industries, petty subsistence-oriented economic activities through which low-income workers seek to supplement their family budget, and occupations of differing skill levels that represent an alternative to jobs in the formal economy for self-employed workers. Yet, the single most important force behind the expansion of all these informal activities is the same: the economic restructuring process. The growth of subcontracting arrangements in industries such as construction, landscaping, janitorial services, garments, and electronics, is a direct result of restructuring. The growth of unskilled, low-wage service jobs, coupled with the restructuring of some of the industries that have produced these jobs, has fueled the expansion of the informal economy. This was evident in the case of the restructured janitorial industry, as described above. In turn, the deterioration of wages and working conditions in these industries have induced the growth of independent informal economic activities by which immigrant workers supplement their meager incomes. Hence, the introduction of a flexible labor force in the formal economy, the growth of subcontracting practices in numerous industries, and the proliferation of subsistence-oriented informal economic activities are the product of the structural forces that define the restructuring of the U.S. economy.

The informal economy in Mexican immigrant neighborhoods, like the one I studied in San Jose, is intrinsically associated with the impoverishment of the living conditions of their residents. The growth of the informal economy is both a cause of poverty, as in the case of immigrants working under subcontracting arrangements in firms in the informal sector, as well as a mechanism by which these low-income immigrants cope with poverty, as in the case of supplemental petty vending activities. In these immigrant barrios, then, the informal economy is associated with poverty rather than with avenues
The existing literature on the informal economy in the United States reflects neither the empirical nor the analytical complexity of this reality. First, while the informal economy in industries such as garments, electronics, and footwear have been the focus of a number of studies, small-scale subsistence-oriented informal economic activities have received much less attention. However, as I observed in my fieldwork, these activities are a crucial aspect of the informal economy in neighborhoods where low-income immigrants live. They also constitute a key theoretical piece that helps us to understand the mechanisms for the reproduction of labor in the context of the restructured U.S. urban economy. A second, interrelated limitation of the existing literature is that its main unit of analysis consists of industrial sectors rather than individual workers. In so doing, these studies fall short of explaining the social and economic conditions that make possible the subsistence of labor in this sector. More explicitly, analysis of the social and economic strategies that informal workers employ at the family and community levels is essential to understand the conditions for the reproduction of labor in the informal economy. As I have tried to show in this Essay, extended and flexible household arrangements, as well as dense social support networks, represent key features by which immigrants working in the informal economy cope with the instability of their employment. Family and community-oriented ethnographic studies can contribute to fill this gap and provide a better understanding of the dynamics of the informal economy and its connections with poverty in U.S. cities.

At the public policy level, the growth of the informal economy and what are perceived as the problems it creates have gained increasing attention since the late 1980’s. Some local governments in California, for example, are discussing ways to deal with the proliferation of street vending activities. It is the expansion of street-corner labor markets for day laborers, however, that has become the major issue discussed at the local policy level related to the informal economy. In numerous California cities (among them Los Angeles, San Francisco, San Jose, San Diego, San Rafael, and Encinitas) the “day laborers problem” has been hotly debated. A central question remains whether the creation, with taxpayers’ money, of hiring halls for these workers, most of whom are undocumented immigrants, could be the solution.

40. See, e.g., Fernandez-Kelly & Garcia, supra note 3; Sassen-Koob, New York City’s Informal Economy, in THE INFORMAL ECONOMY, supra note 3, at 60.
In contrast, the issues of informal subcontracting and the proliferation of labor contractors in numerous industries have received much less attention. Yet, as we have seen in this essay, subcontracting constitutes one of the main forces behind the expansion of diverse types of informal economies. For example, the rapid growth of hiring sites of day laborers in rural and urban locations in California cannot be adequately explained without referring to the growth of labor contractors in certain industries, since they represent the bulk of the demand for day laborers. To date, immigration and some of the economic activities in which immigrants are engaged have been the focus of the attention of local policymakers, rather than the informal economy itself. For example, street vending and day laboring have become the subject of public debate because they are among the most highly visible activities that immigrant workers engage in. As a result, local officials in California have developed a set of independent measures specifically to address the problems of day laboring and informal street vending, but have not envisioned a comprehensive policy to address the roots of the problems created by the growth of the informal economy.

Based on the findings of my research, I believe the focus should be shifted from immigration to an analysis of the factors that are behind the growth of informal markets that employ immigrant workers. I also consider it misleading to focus on small-scale, informal economic activities as the way to address the problems created by the expansion of the informal sector. As I have shown, these activities mostly serve to supplement the income of low-income immigrant workers. They do not represent serious competition for local formal businesses, since they occupy a different consumption market niche. They are marginal activities by the working poor that enable them to survive, thus alleviating the social problems created by poverty. Instead, serious attention should be given to the problem of subcontracting. As we have seen, subcontracting and the use of cheap, renewable immigrant labor represents one of the major factors behind the growth of poverty in California's large cities. The solution is not to combat subcontracting, which most likely would be a futile effort, given the trend towards the decentralization of production in today's global economy. Rather, policymakers should concentrate on developing appropriate legislation to regulate the conditions under which subcontracting practices are to take place. For example, tighter control of the responsibilities of client companies engaging in subcontracting practices could help alleviate the problems associated with firms that employ subcontractors to get access to cheap and unprotected labor. It is important to remember that subcontracting is one of the main forces behind the proliferation of firms that violate federal and state labor, health, and safety laws on a recurring basis.
Lifting the National Labor Relations Act (NLRA) prohibition of secondary boycotts, which sanctions labor unions who target building owners or managers, would help put an end to violative labor practices. 41 The NLRA was passed when subcontracting was not a common practice. In the building service industry, the subcontractor is considered the primary agent, while a building’s owners or managers are usually considered secondary employers. This section of the NLRA has often been used by building owners or managers in Silicon Valley to sue Local 1877 for unfair labor practices when the union organized demonstrations in front of buildings belonging to or managed by those companies.

Where disputes have arisen between Local 1877 and secondary employers like Apple Computer, the latter usually declare that they are not responsible for the working conditions of janitors who clean their buildings, arguing that this is an issue between the union and the janitorial subcontractor. In many cases, however, the larger companies do have a significant degree of control over decisions that directly affect the working conditions of employees of their contractors, including working schedules, training, and labor-management relations. A case in point is Sonix, one of the largest high-tech corporations in Silicon Valley. When this company awarded its cleaning contract to a large union janitorial firm, it demanded that the janitorial firm set up a special operational branch to deal only with Sonix’s buildings. As a result, this janitorial company has several branches through California organized by region, and one special branch for this high-tech corporation.

When I went to interview one of the top managers of this janitorial company, I was surprised to discover that his office was housed in the high-tech company’s headquarters. As this manager explained to me, this was a convenient arrangement between the two companies, because it allowed them to coordinate the daily activities of janitors cleaning the numerous buildings of this corporation as well as to discuss and plan labor training, total quality control techniques, and the resolution of labor disputes. In other words, although organized as two different entities, these businesses work, in essence, as joint employers on key issues directly affecting the working conditions of janitors. Ironically, any demonstration in front of this corporation’s headquarters, targeting it as a client company, would most likely be considered an “unfair labor practice.” Given the proliferation of subcontracting work arrangements in numerous California industries today, I believe a change in this law would help to hold client companies responsible for the working

41. National Labor Relations Act, 29 U.S.C. § 158(b)(4)(ii) (1988). Thus, it is an unfair labor practice for a labor organization or its agents “to threaten, coerce, or restrain any person engaged in commerce or in an industry affecting commerce, where in either case an object thereof is . . . forcing or requiring any person . . . to cease doing business with any other person.”
conditions of subcontracted employees and violations of federal and state regulations.

My findings indicate that a variety of types of informal employment are growing in California cities like San Jose. A large part of this informal sector is the result of the structural transformation of the organization of production in industries such as construction, electronics, garments, landscaping, and janitorial services. In light of the ongoing restructuring of U.S. labor markets, this sector seems likely to continue its expansion. In this essay, I have tried to show some of the social outcomes, especially poverty, of the uncontrolled growth of informal subcontracting. I have also argued that small-scale informal economic activities, such as home and street vending, are strategies to alleviate poverty. They are undertaken by low-income workers in the informal and formal sectors in reaction to their segregated and vulnerable position in this restructured labor market. In light of these findings, it is essential that policymakers discuss the conditions and regulations under which subcontracting practices are to take place, rather than simply prosecute immigrants engaged in unregulated but subsistent level informal economic activities.