

# **The Informal Economy in North America**

*Conference of 21-22 May 2001, Harvard University*

The contemporary global economy increasingly combines twenty-first century technology with nineteenth century work conditions. A dominant feature of the nineteenth century social order, the informal economy is today enjoying considerable growth in not only developing nations but also in the advanced industrial world. One of the pronounced features of the contemporary economic landscape, it has undoubtedly brought prosperity to some entrepreneurs and professionals. Yet it also leaves many participants vulnerable and with limited access to safety nets.

According to University of Oregon sociologist Ken Hudson concerning U.S. workers for temporary help agencies, "In 1997 around 95 percent of workers in the job lacked employer-provided health care coverage.... In addition, less than 4 percent of these workers received any sort of pension or retirement benefits."<sup>1</sup>

The expansion of the informal sector in all major regions of the world has caught many social theorists off guard. Apt to identify the informal economy with less developed regions, these thinkers did not foresee its growth in many advanced industrial zones of the world economy. There are those who reflexively claim that immigrants on the move from poorer countries have simply carried informalization to the advanced industrial economies. But others detect deeper structural processes at work. Massive inequalities, as well as the explosive growth in prices for commercial space and a variety of business services, have created intense pressures for certain enterprises to go informal.

The Harvard Trade Union Program, in cooperation with the global network WIEGO (Women in Informal Employment: Globalizing and Organizing), brought together scholars, labor leaders, NGO activists, and policy experts in an effort to explore an important piece of the puzzle: the growing informal economy in North America. The conference sought to achieve two goals: 1) mapping the informal sector and 2) finding the policies and types of interventions that could improve the prospects for workers active in this part of the economy.

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<sup>1</sup> Ken Hudson, "The Disposable Worker," *Monthly Review*, April 2001, pp. 48-49.

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***“Introductions”***

**Richard Freeman and Elaine Bernard**, Harvard Trade Union Program  
**Renana Jhabvla**, National Co-Ordinator, SEWA (Self-Employed Women’s Association), and  
**Dan Gallin**, Global Labour Institute

**Richard Freeman**, professor of economics at Harvard University, called attention to disparate phenomena that indicates informalization, including the rapid expansion of street vendors in cities such as Washington D.C. during the past decade as well as the massive deployment of volunteers and interns in many enterprises. Do interns and volunteers have labor rights? Enterprises that make generous use of these labor sources will have to confront these questions. Universities make use of armies of teaching assistants, and settling the question of their status (the debate whether they are students or employees) will have important reverberations.

Freeman later discussed how approximately 65 percent of the U.S. work force is on the internet. This will soon exceed 80 percent. Many workers will not need to be at the same workplace in order to have common interests and enhanced capabilities of communicating with each other. He spoke of the National Writers Union (NWU) as one example of organizing workers who might seem isolated and working as lone entrepreneurs. There are new ways of connecting people up.

He also engaged in speculation about what unions or “union-like organizations” could evolve for responding to the needs of informal sector workers. Freeman thought that unions might show more flexibility about creating relationships with people who currently are not under collective bargaining arrangements. Millions of U.S. workers express a desire to join unions, but they face considerable obstacles in the current climate. Freeman observes that non-profits such as museums and operas have many different levels of membership sometimes linked to the amount of support one provides for an institution (i.e., associate, sustainer, president’s circle, etc.) Perhaps unions could come up with some alternative structure of membership that might connect millions with the house of labor.

**Renana Jhabvla** of the trade union SEWA (the Self-Employed Women’s Association) gave an overview of some of the challenges ahead. Her organization came to recognize that it was not enough to do work locally; it is crucial to make international linkages. She spoke of how the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco, and Allied Workers’ Association (IUF), among others, sought to develop a convention for the protection of home-based workers. Home-based workers all over the world endure horrible conditions. She gave an account of how SEWA coalesced in the latter half of the 1990s with HomeNet, the International Labour Organization (ILO), the United Nations Development Fund for Women (UNIFEM), and others to build Women in Informal Employment: Globalizing and Organizing (WIEGO). Jhabvla was pleased to see many WIEGO participants at this conference.

She stressed that policy researchers and activists working together can be a very powerful combination. Among the immediate priorities are developing new mechanisms for achieving social

protection, gathering reliable statistics, and organizing workers. SEWA has been previously asked by the Indian government to help develop national policies on home-based work.

**Dan Gallin** of the Global Labour Institute started off with some grim news. Unions are typically not interested in organizing the informal sector because it is difficult and costly. Right now they judge themselves much better equipped to respond to workers in the formal sector.

But Gallin then delivered more hopeful news for those advocating greater organization among those in the informal sector. Many workers in informal employment organize themselves. They are eager to look for ways to protect themselves. Gallin sounded a special alarm about the challenges in contemporary eastern and central Europe. With the collapse of the economy in many places, the informal sector is growing in significance and will have to be addressed in innovative ways. He discussed whether the labor movement might want to create a specialized international organization to work alongside and in cooperation with existing international union structures. Some workers are changing jobs rapidly in today's economy, and new forms of labor organization might be necessary to respond to these realities.

#### ***“Mapping the Informal Sector in North America” (Part I)***

**Chair: Françoise Carré**, Research Director, Radcliffe Public Policy Center

**Jeff Wenger**, Labor Economist, Economic Policy Institute

#### ***“Mapping the Informal Sector in North America” (Part II)***

**Chair: Françoise Carré**, Research Director, Radcliffe Public Policy Center

**Will Collette**, Strategic Researcher, AFL-CIO, Building Construction Trades

**Tim Costello**, Campaign on Contingent Work

**Katie Quan**, Labor Policy Specialist, UC-Berkeley, Center for Labor Research and Education, Institute of Industrial Relations

**Alice de Wolff**, Researcher-Community Co-Director, Toronto Organizing for Fair Employment

**Francoise Carré** of the Radcliffe Public Policy Center began a two-part forum on mapping the informal economy by puncturing certain mythologies. She discussed how there are many male workers in the field of temporary work. In France, perhaps 70 percent of temp workers are male. The stereotype is of Kelly Girls, but there are today significant numbers of Kelly Guys. In a review of Leah F. Vosko's *Temporary Work: The Gendered Rise of a Precarious Employment Relationship* (University of Toronto Press, 2000), Chris Schenk, the research director for the Ontario Federation of Labor, reflects that in Canada: “while women still dominate the temporary help industry, their representation is declining. This is partly because much of ‘men’s work’ is becoming more and more like ‘women’s work’ – precarious and temporary. Part-time, contract work is becoming the norm in many fields of work.”<sup>2</sup>

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<sup>2</sup> Chris Schenk, “Buying and Selling Workers,” *Our Times*, April/May 2001, pp. 42-43.

Both Carré and **Jeff Wenger** of the Economic Policy Institute delivered the latest information on an economy that appears to be lurching toward recession, and the dangers this may portend for temp workers. Kelly Services, Inc. has told its investors to expect as much as a 50 percent decline in full-year earnings for 2001.<sup>3</sup> The temp sector grew from around 250,000 workers to perhaps a maximum of 4 million between 1972 and 2000. Workers from this field are likely the first to be fired in the event of a recession. The Bureau of Labor Statistics reported about 3.6 million workers in the temporary help industry as of September 2000, but the agency through May 2001 indicated a decline of almost 500,000 or 12 percent of the workers in this field.<sup>4</sup> Already Manpower Inc. and others are making noises about chopping more workers. “There’s definitely a softening in pay rates,” says Kenneth Harvey, manager of Manpower Inc.’s Greater Boston office.<sup>5</sup>

Manpower Inc. filed 766,400 W-2 wage reports in 2000 and worldwide employs 2.7 million temporary workers. With 3700 offices in 59 nations, Manpower includes 99 out of the Fortune 100 companies as clients and 475 out of the Fortune 500. According to Manpower Inc. president and CEO Jeff Joerres, the biggest change in the past decade is the size of the firm’s accounts: “in 1991 our largest account was probably \$10 million. And in 2000, our largest account was \$350 million.” It is a much more globalized firm today, with “75 percent of our business outside the U.S.” compared with 40 percent in 1991. The firm reported revenues of \$10.8 billion for FY2000, but this jumps to \$12.2 billion if franchised offices are included in the revenue stream. Joerres candidly admits: “There are 500 employees at a company and there are 100 Manpower people. Demand for the company’s products goes down. Who do they look to first to release? It’s our employees. That is our role.”<sup>6</sup>

Carré pointed out that states with greater employee rights have more temps than what might be called “fire-at-will” states. Richard Freeman asked why, if the U.S. already has so much more labor flexibility than Europe, do employers try to get even more flexibility? “Flexibility” appears to breed flexibility. It is estimated that temp women earn about 20 percent less than other female workers (and this is 20 percent below the general wages of women workers who are already earning significantly less than men). Still, after a firm has to pay a temp agency a significant fee, there is the question of what one is really saving by going the temp route. “Flexibility” appears to be one desired feature. But it seems that many firms like to contract out human resources functions, as temp agencies do much of the recruitment and screening of future employees. Staff flexibility may ultimately be more important than wage flexibility. Firms keep a lean core production group and then contract out for the rest.

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<sup>3</sup> John Seward, “Uphill Battle is Seen in Staffing Sector – Analysts Expect Slowdown in Earnings after First Quarter,” *Wall Street Journal*, 16 April 2001.

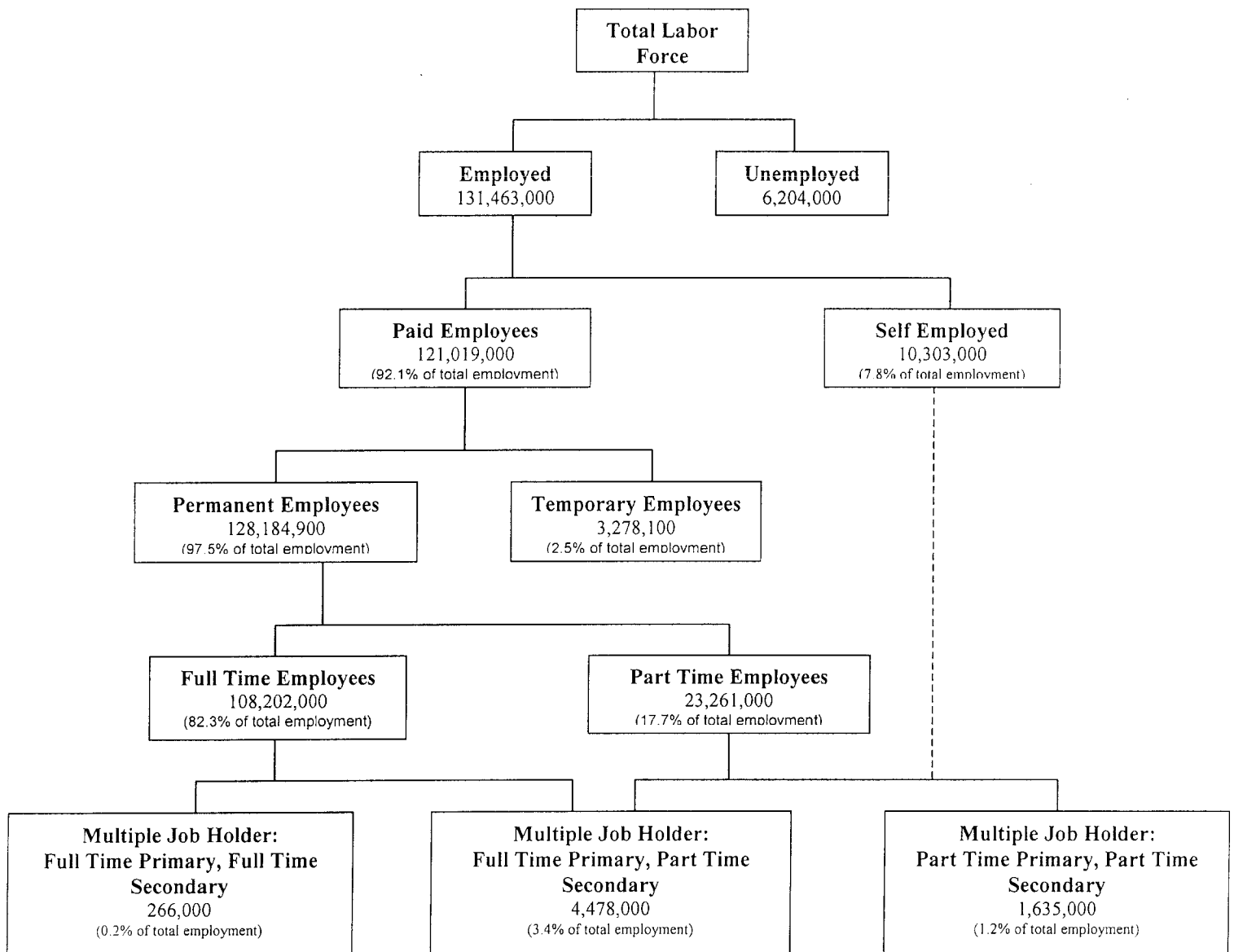
<sup>4</sup> Bruce D. Butterfield, “Times Get Tougher for Temp Workers: Assignments Dry Up as Firms Watch Costs,” *Boston Globe*, 17 June 2001.

<sup>5</sup> Quoted by Butterfield.

<sup>6</sup> Jeff Joerres, interview, with Joel Dresang, “Look past slowdown,” *Milwaukee Journal Sentinel*, 8 April 2001.

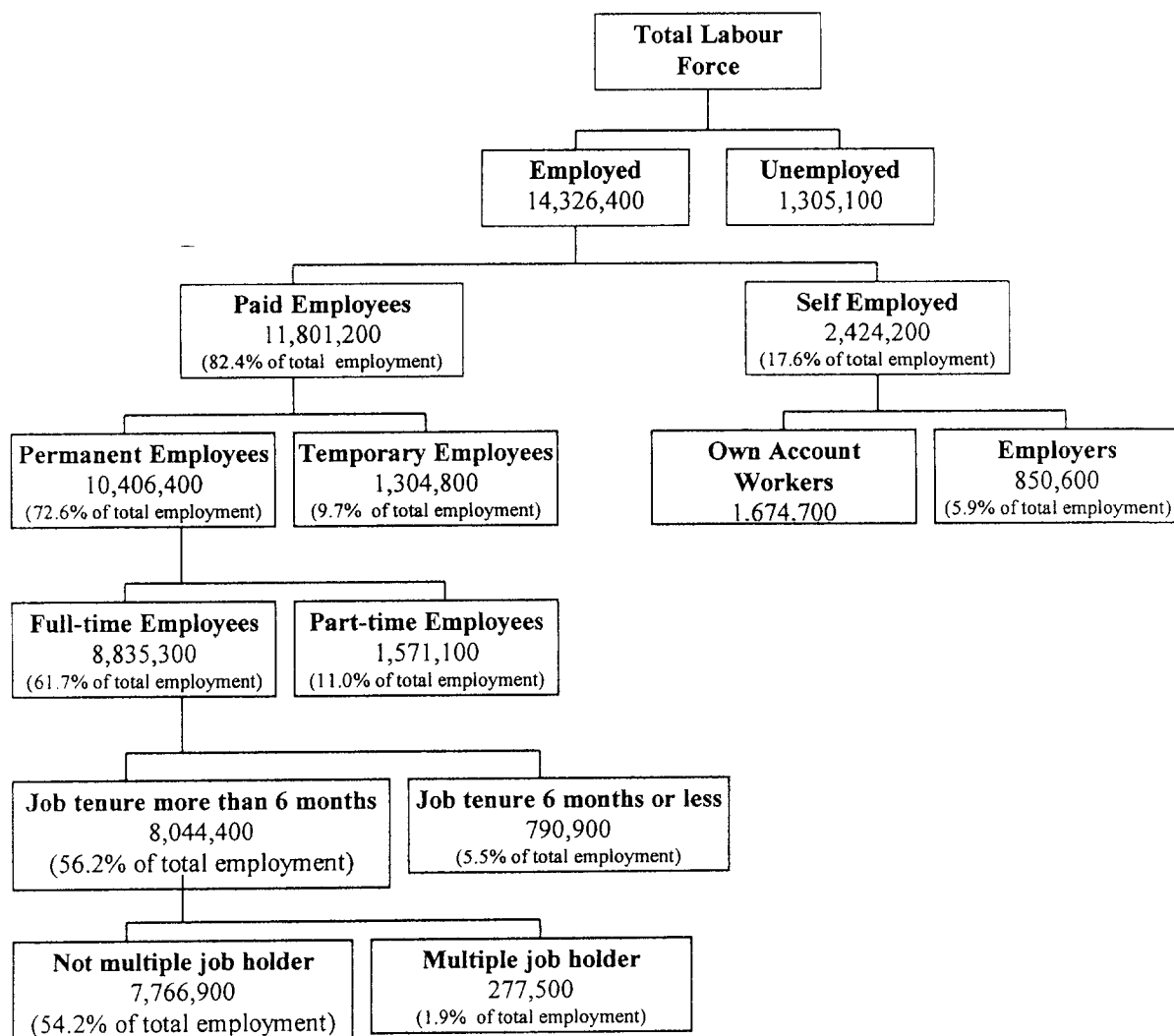
# Overview of the United States Labor Force, 1998

(Source: Bureau of Labor Statistics, Department of Labor)



## Overview of the Canadian Labour Force, 1998

(Source: Canadian Policy Research Network, "Rethinking Employment Relationships, October 1999)



It used to be that many health care plans for workers covered the entire family. Today some temp workers get health insurance coverage through a spouse, but the worker with coverage today is often expected to pay many added fees to cover family members. When benefits are added into the mix, temp arrangements can save considerable sums for certain firms.

The Employment Policy Foundation (EPF) argues that survey data indicates most temps are happy with their employment arrangements. There may be some problems with this rosy portrayal. First, EPF lumps temps from all sectors to get much higher happiness/satisfaction results. They include many independent contractors and on-call workers in the mix. **Ellen Bravo** of 9 to 5, the National Association of Working Women, responds that workers like the ability to choose assignments, but they do not choose to lose benefits and forego decent wages. **Katie Quan** of UC-Berkeley's Center for Labor Research and Education adds that many who liked being temps realize in the current downturn how quickly they have been rendered vulnerable and expendable.

**Marty Chen** of WIEGO and the Kennedy School of Government discussed efforts at developing definitions and collecting data on workers in the informal economy. She explained that WIEGO has been pushing for employment-based definitions. There are owner-operators, self-employed, and employees (of owner-operators); but a core difficulty is that some people in the informal economy don't want to be found. According to **Cathy Feingold** of the AFL-CIO, Working Women's Department, they want to remain underground, though Katie Quan responds that it is frequently the employer who does the hiding.

**Alice de Wolff** of Toronto Organizing for Fair Employment conveyed some of these dilemmas in her presentation on the growth of the informal economy in Canada. Some conservative estimates list the informal economy as representing 5 percent of Canada's GDP, but other social scientists think it may be closer to 15-20 percent of GDP. There are cash transactions in fields such as construction and hair dressing, while there are many new operators such as a Canadian who dismantles barbecues and recycles them. Over ten years, self-employment has grown from 11 percent of Canada's work force to just under 18 percent. The economy of Canada faced a ripping recession in the early 1990s, and some of the re-structuring stems from that period of crisis.

Many of those performing contingent work are immigrants. De Wolff argues that Canada may be witnessing a creeping apartheid with racially and ethnically segmented labor markets. Immigration creams from the middle classes of poor countries. Many immigrants in fact come from the formal economy, but when they arrive in Canada they go informal.

She expressed concern about health and safety issues. It seems that the injury rate is significantly higher for workers in nonstandard arrangements. Sometimes, after sustaining injuries, workers find themselves channeled into nonstandard arrangements. One survey of contingent workers in Canada indicates that as many as 80 percent want steady jobs. She decried the elimination in Canada of previous legislation that sought to regulate employment agencies.

**Tim Costello** from the Campaign on Contingent Work explained that the cash economy is growing and thriving, with undocumented workers a significant part of this. There are a lot of

service jobs in the U.S. that are rarely performed in Europe. Computerized ticket systems for parking have dramatically reduced the need for parking garage attendants in western Europe, a job that still employs many in U.S. urban centers. Other jobs are going informal in the U.S. Various taxi services are carried out by underground operators. Fishing and lobstering have large informal components. Fish processing used to be a unionized industry, but now many workers are involved in it through informal arrangements. Electronic assembly, restaurant work, and bulk mailing are frequently informalized forms of employment. He adds that the rural economy has some of these features. Certain sectors are perhaps socially but not legally regulated. It would be helpful to get a better understanding of what are “the rules” in such situations.

Costello spoke about the displacement of horizontal and vertical firms in favor of smaller suppliers who subcontract on and on down the chain. He spoke of “the Russian doll” effect with these long chains of suppliers. It becomes difficult for many unions to track all of the suppliers. The small firms can be difficult to organize and may well use temp workers, easily disposable should an organizing effort get underway. There has been relatively little scholarly attention to under-the-table activities in the wider economy. Workers and labor organizations will have to pay more attention to this part of the work force and the economy.

**Will Collette** of the AFL-CIO expressed a certain type of relief that his organization was far from alone in having trouble in getting reliable figures. He points out that little over half of temps are blue collar workers. Of the blue collar temps, approximately 20 percent are dispatched to construction jobs.

Collette discussed the nation’s largest supplier of temporary manual workers, Labor Ready Inc. At construction sites, Labor Ready is averaging injuries approximately three times the rate of all firms. In May and early June 2001, Labor Ready has faced four major legal setbacks in confrontations with unions. The U.S. 4<sup>th</sup> Circuit Court of Appeals in Richmond upheld the National Labor Relations Board when the body held that Labor Ready punished workers who sought to join unions. The Tacoma, Washington-based firm was also asked to post an NLRB order that workers will not face sanctions for discussing among themselves pay and work conditions. Meanwhile, Cal-OSHA faulted Labor Ready and Manpower for injuries involving temp construction workers and asked these companies to inspect sites before sending workers there. California state auditors also ruled that Labor Ready owed workers nearly \$100,000 in back wages at a few college construction sites.

The Ohio Bureau of Workers Compensation (BWC) has found in audits that Labor Ready appears to have a pattern of misclassifying jobs in order to reduce insurance costs. According to Ohio auditors, Labor Ready in 1998 placed 19.5 percent of employees under three white-collar classifications with very cheap premiums, even though only 2.2 percent of the workers belonged under those codes. It was also found that the company classified only 7.9 percent of its employees as construction, among the most dangerous of jobs and thus with high premiums. For 1998, 15.11



percent of the workers in Ohio should have been classified as construction.<sup>7</sup>

Collette expressed that Labor Ready is now financially on the ropes. This is a dramatic change as the company once had a growth rate in the number of employees near 30-40 percent per annum. With 700,000 employees, the company has burned out much of its work force in both construction and office jobs. Regulatory agencies are aware of some of their ruses, and business will likely be much more expensive for them to conduct. Sadly its already high accident rate climbed between 1999 and 2000. Collette explained how workers for the company are subject to many fees for meals, clothing, transportation, and use of cash machines with which they are paid. Collette has met some workers disheartened after finding out that they still owed the company money after a day's work. The company brags of paying workers \$6.95 an hour, but the AFL-CIO thinks the myriad fees cut that down to closer to \$6 per hour. He also wonders what will happen to the 700,000 workers if the company actually goes under.

Collette later suggested that such gargantuan temp firms cannot be run decently and make a profit. Tim Costello added that profit margins are lean in this industry (sometimes near 1 percent), with worker comp cheating emerging as one of the key routes to making money. Collette believes that new models need to be explored, perhaps community-based hiring firms. It might take partnerships with churches and other community-based groups in order to craft an alternative.

**Katie Quan** then gave an overview and the wider implications of her research with UCLA's Linda Delp on "Homecare Worker Organizing in California: An Analysis of a Successful Strategy." When the Service Employees International Union Local 434B on February 25, 1999 achieved the right to represent the 74,000 homecare workers of Los Angeles County, this stands as "the biggest organizing victory for the U.S. labor movement since workers at Ford's River Rouge plant joined the United Auto Workers in 1941." Quan and Delp cite a USC survey which shows that women and people of color make up the overwhelming majority of homecare workers in Los Angeles County: 83 percent "are women; 39 percent are Latina; 25 percent are African American; 14 percent are of Russian or Armenian descent; and 7 percent are Asian/Pacific Islander." In San Francisco, the ethnic sociology appears to be different, according to figures they received from an SEIU organizer: "30 percent of the homecare workers are Chinese; 15 percent are Latino; 25 percent are Russian, and 30 percent are African American and other English-speaking workers."

With a turnover rate of 40 percent, homecare workers provide special challenges for organizers. Many consumers of the services have acute fears of strikes, but they also feel personal loyalty to their homecare providers. With workers spread all over the county and speaking perhaps as many as 100 different languages, it was a challenge just to find the labor force. Still with wages so low and work quite arduous, many workers, once contacted, proved to be eager to sign up for the union. Homecare work has undergone an enormous expansion since the 1970s. Much of this labor

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<sup>7</sup> See "Building Trades Call for Multi-State Investigation of Labor Ready's Workers' Compensation Practices; Ohio Audit Uncovers Premium Misclassifications," PR Newswire, 13 February 2001.

had previously been unpaid, carried out by women who did this as part of family obligations; but even among paid homecare workers today, it is estimated that almost half are relatives of the consumers.

Quan and Delp show that the cementing of alliances between providers and consumers proved crucial in achieving union triumphs. They are aware that it is sometimes fragile. For instance, when providers sought more funds to be delivered for renovating a public nursing home in San Francisco called Laguna Honda, many disabled and older consumers balked, fearing that it would threaten their independent living arrangements. Union members also have had to make major concessions to consumers about labor rights. The consumer has the right to fire at will, and this still rankles some homecare workers who feel they get falsely accused of, say, stealing pajamas by an addle-brained codger.

Overall Quan and Delp conclude,

.... the unionizing of homecare workers merged with the formalization of a heretofore informal labor market, and the terms surrounding that formalization were to have lasting impact on services for the disabled and elderly. Rather than opt for the contract model of care, a choice that often brings forth for-profit entrepreneurs, the union chose to advocate for public authorities. This meant that homecare workers would be part of a public system of care, one that was a social responsibility for all taxpayers, just as consumers had advocated. However as consumer groups have noted, this public model would not have prevailed without the union's political clout, and thus its intervention was critical.

#### **Dinner Address:**

*Introduction and Chair:* **Martha Chen**, WIEGO and Kennedy School of Government

*Speaker:* **Saskia Sassen**, Professor of Sociology, University of Chicago

**Saskia Sassen** explored the latest mutations of advanced capitalism. In de-coding advanced capitalism, she prefers the term “informalization” to references to “the informal sector.” This phenomenon has spawned a whole variety of employment relations, and she asserted that “deregulation is really re-regulation.” In other words, “deregulation did not fall out of the sky,” and it has put into place new sets of rules that strengthen the hand of the employer. When corporate leaders refer to “flexibility” as a great benefit of informalization, they do not convey how it often reduces the flexibility for the employee, clarified **Arin Dube** of the Harvard Campaign for a Living Wage. Barbara Ehrenreich in her stint as a “Merry Maid” graphically expresses this with the fairly strict rules on how long a worker should spend cleaning or carrying out a specific task. Cleaning firms would forbid her and her co-workers from drinking even tap water from the faucets of homes that they were cleaning.

Sassen discussed the common preconception that Third World immigrants are the cause of informalization. “I absolutely reject this,” she affirms. She provided a case study of the Netherlands, a country in which Dutch women are often informalized and not the immigrants. She explained how massive inequalities and the explosive spurt in housing and commercial real estate spurs movements toward informalized enterprises. A key organizer of the homeless in Chicago explains to her that perhaps as many as 80 percent of the homeless are daily workers in that city. Japan is coming to see

that many homeless in Tokyo are working men and not winos or the mentally disturbed. The Robber Baron system of the nineteenth century featured an entire economy that was informal. In the twenty-first century, informalized production fits into certain advanced sectors, including clothing, designer lofts, and the delivery of certain types of specialized meals

Sassen senses that there is now an energy to organize many of these workers that “I didn’t see ten years ago.” There is “quite a bit of innovating” in the labor movement which should make for interesting times ahead. Referring to the “enormous amount of exploitation,” she explains that immigrants sometimes “enable” informalization, but they are not the cause. Moreover, immigrants may serve as an antidote to informalization. They are easier to organize, have a greater density of interaction, and provide resources for hope: mutual support, trust, and traditions of militancy. In short, they provide a thick, dense environment that facilitates organizing.

***“Advocacy and Services for Workers in the Informal Economy”***

**Muneer Ahmad**, Staff Attorney, Workers’ Rights Unit, Asian Pacific American Legal Center of Southern California

**Ellen Bravo**, Co-Director, 9 to 5, National Association of Working Women

**Brendan Smith**, National Coordinator, NAFE (National Alliance for Fair Employment)

**Ellen Bravo** of 9 to 5 elaborated on the role of temp agencies in carrying out welfare reform as well as perpetuating racial and gender discrimination. She discussed how temp agencies take workers of welfare status and hire them, earning tax credits. In Wisconsin, some of this activity can be lucrative, as certain managers of temp firms in Wisconsin receive \$90,000 bonuses. Her organization turned to the EEOC after finding racially discriminatory practices at some of these firms. The Maximus temp agency was paying women around \$7 per hour, compared to \$8.12 for male workers. Management threatened to sack workers who discuss pay rates on the job. Even though 9 to 5 saw the pay stubs, Maximus denies the wage discrimination. Shortly after, they begin hiring men at \$7 per hour in order to show that they are not practicing gender discrimination.

Taking mild issue with the title of this panel, Bravo prefers the blunt term “organizing” to what she and her co-workers do, rather than call it “advocacy and services.” She stresses that Wisconsin is an important battleground because its welfare reform is regarded as a model by many of the nation’s governors. She reports progress on some other fronts. Manpower used to defiantly claim that they would never sign a code of corporate conduct, but now they are talking with 9 to 5 about forming some type of joint code. Stay tuned, she advises, and it will be interesting to see the outcome of this particular effort.

**Muneer Ahmad** of the Asian Pacific American Legal Center of Southern California took up the plight of garment workers in the Los Angeles region. With approximately 100,000-140,000 workers in the L.A. garment industry, 85 percent are women and virtually all are immigrants (80-85 percent Latino; 15-20 percent Asian, primarily Chinese, Vietnamese, and Thai). Significant numbers are undocumented, perhaps a little under half. A U.S. Department of Labor survey of 2000 found that 67 percent of factories fail to pay the minimum wage or overtime. CalOSHA has found in practically all the inspected factories “serious” health and safety violations. “Serious” is defined as

a high danger of bodily harm and even death. Though the minimum wage in California is \$6.25 an hour, workers frequently make as little as \$3 per hour. Less than one percent of the garment work force in L.A. is unionized, as some factories have extremely short life cycles. As soon as progress is made in organizing, the owners shut the operation down, the runaway shop in action. The typical factory may have around 20-30 workers. There are perhaps 4,000-6,000 garment shops in Los Angeles. South El Monte is a major zone of production.

The manufacturer does the design but then they go to contract shops. Retailers are acting more like manufacturers. A brand such as Alfani sure sounds Italian, but in reality it is a Macy's product, masking the Angeleno origins with labels conveying Milano *haute couture*.

Ahmad discussed the clever ruses used by firms to escape pay and other obligations. Some declare bankruptcy and then put the firm in another family member's name. There are political debates about successor liability laws in California. Corporate decision-making, globalization, lax government enforcement of regulations, and traditional legal protections for manufacturing operations have all made life precarious for workers. There are many groups likely to benefit from the informal garment economy, not only manufacturers and retailers but also consumers, who enjoy the cheap prices in the Wal-Marts, Targets, and J.C. Penneys of their shopping universe. Many retailers claim that monitoring is too hard and expensive; yet these are the same firms that fill the stores of Marshall's with clothes rejected as irregular because a #6 button was mistakenly used or a seam is done at 1/8th of an inch rather than 3/8ths of an inch. Some use the Department of Labor as a cover, saying that they are in compliance with DOL rules.

Ahmad outlined a dual strategy of litigation and organizing that is yielding results. One of the empowering things about the El Monte case was how Thai women soon became experts on the working of the industry. Worker testimony has helped sink the companies in some cases. The effort in law has been to establish joint liability for retailers and manufacturers. Retailers have hid behind the claim that they are not the manufacturer, and they have not accepted responsibility for driving payments so low that the violation of labor standards is almost inevitable. On the legislative front, AB 633 is designed to be the toughest anti-sweatshop bill in the country. Workers can bring cases against contractors, and manufacturers can be held liable. Ahmad concluded by calling for more coordination with student campaigns and improving consumer education.

Stepping in for **Brendan Smith** of the National Alliance for Fair Employment, **Tim Costello** explained how NAFE has built up a network of 54 organizations in the U.S. and Canada. There are 24 groups of temp help and day labor; public policy groups; campus-based activity; and then the workfare and welfare elements. The office has grown from no staff to three staffers. All groups can help shape the issue reports; they must work to build alliances; and joint activities and public policy efforts are ongoing. Costello applauded efforts at developing codes of conduct for contingent workers, but he reminded the conference that they are clearly the result of weak unions. It would be better to have vibrant unions able to wage struggles and monitor workplaces on a daily basis. Later Katie Quan elaborated upon the tensions that can arise between unions and community-based organizations, especially as labor organizations stress the collective bargaining process.

***“Organizing Workers in the Informal Economy”***

**Chair: Dan Gallin**, Director, Global Labour Institute

**Deena Ladd**, Coordinator, Toronto Organization for Fair Employment

**Sean McGarvey**, General Vice President, International Union of Painters & Allied Trades

**Sandra Morales**, Day Laborer Organizing Project Coordinator, Jobs with Justice

**Stephanie Tang**, Organizer, UNITE Ontario Council

**Deena Ladd** of the Toronto Organization for Fair Employment showed how newcomers, immigrants, and people of color are channeled into contingent work. Many are told that they need “Canadian” experience before they can be hired. Temp agencies are touted as the solution. Workers learn not to complain because temps can be instantly sacked. Immigration-based agencies in Canada have to produce statistics showing that they are getting people work, and frankly their own answer has been temp agencies.

Ladd noted that there are resources for research in Canada, but not for organizing. Her organization tries to make links with academics or at least those who take up projects that will be helpful to workers. The activists try to figure out which union workers should go with. They help them learn how to interview a union and in essence “get the ball rolling.” There are several worker organizing committees, but Ladd focused on the situation of Tamil temp agency workers. With perhaps 150,000 Sri Lankans in Toronto, these workers are frequently exploited, \$45 for 12 hour shifts (and that is in watered down Canadian bucks).

She took up a new employment standards act in Canada that will probably be law this summer. Referring to an “incredible deterioration” in labor standards, Ladd notes that businesses can average overtime over four weeks and can opt out of existing labor law by saying that it renders them less internationally competitive. Richard Freeman posed the rhetorical question, is Canada trying to have the lowest labor standards in the advanced industrial world?

**Sean McGarvey** of the International Union of Painters & Allied Trades spoke of how his union has made the transformation from an often dysfunctional international to a union that is among the fastest growing in the U.S. Representing painters, blazers, drywallers, and others in the building trades for 113 years, the IUPAT has gone from being a servicing union to an organizing union. Over 60 percent of its resources today are spent on organizing. This is a big change from a period when a Hart poll of the membership indicated that 40 percent of the IUPAT did not even know that they belonged to the union. Today the union is engaged with members in one-on-one conversation, house calling, and mailing a VCR tape and a copy of the union’s constitution.

They are targeting “right to work” states such as Texas. There was a time when the “right to work” obstacle appeared too daunting, but now the IUPAT just ignores it and gets to work on organizing. The union no longer requires U.S. citizenship to join. The finest drywallers in the continent come from Mexico, and their strong community roots have made them a strong asset to the labor movement. McGarvey explains that blazing was a Jewish trade at the turn of the century, but Irish and Italians have moved into many spheres of the union’s trades. As an Irish Catholic, he

confesses that he sometimes has trouble communicating with the Peruvians, Salvadorans, and Mexicans; but the union is working to improve its ability to reach out to workers of disparate cultural backgrounds. He adds that the union still has a legacy of “redneck-itis” to overcome, yet great progress has been achieved.

**Sandra Morales** of Jobs with Justice took up the work of the Chicago Homeless Coalition which found that many working at full-time jobs could not break the cycle of poverty. Jobs with Justice helped in their struggles, though some workers initially thought they could come to the organization for some sort of job placement. Instead Jobs with Justice showed them how to wage struggle to improve their situation.

Some people had been turned away for public services after being told they were “the wrong color.” Inviting 6 out of perhaps 30 agencies to a public meeting, the coalition partners pulled in 300 people, who soon expressed outrage that only two agencies showed up. Now the agencies know that they better show up or the wrath of the coalition will hit them hard.

There have been a few promising victories and activities. A Department of Labor audit has shown that several agencies have been overcharging workers for transportation. Jobs with Justice is also working with UNITE (Union of Needletrades, Industrial & Textile Employees) to target individual companies. Work with immigrants has been tied to amnesty and anti-poverty campaigns. There are efforts to create new ways of securing healthcare for workers.

**Stephanie Tang** of UNITE discussed some of her union’s struggles and techniques in the Canadian setting. Privatization of social services is changing the terrain. Two decades ago, a family with a child having developmental problems would often approach the state for help. Today parents might look to a “non-profit” in a community setting. The OLRB (Ontario Labor Relations Board) has ruled that temps must be included in the bargaining unit. Some people do this work in short spurts, and unions have to be more flexible. A person who works for one week in three months should not have to pay the same dues as a full-time worker in social services, though she concedes the part-timer might have less rights to demand as many services from the union.

Tang gave background on an array of techniques to keep up worker morale and aid the struggle. She spoke of an underground newspaper patterned after the satirical journal, *The Onion*, but one that calls attention to the more ghastly projects of management. The web is deployed in creative ways, again with humor and jokes as part of the outreach. UNITE has hit products made in sweatshops with a sticker applied in the stores (saying not properly made). The union has worked to improve the skills of those entering the garment industry. Just because someone is from Canton, China, she observes, that worker may not necessarily have sewing skills.

J. Crew won a ruling that the firm could not be held liable for the massive sub-contracting chains employed in the making of clothes. Still the company is more nervous because it now knows many are watching the operation closely.

*“Policy Initiatives for the Informal Economy”*

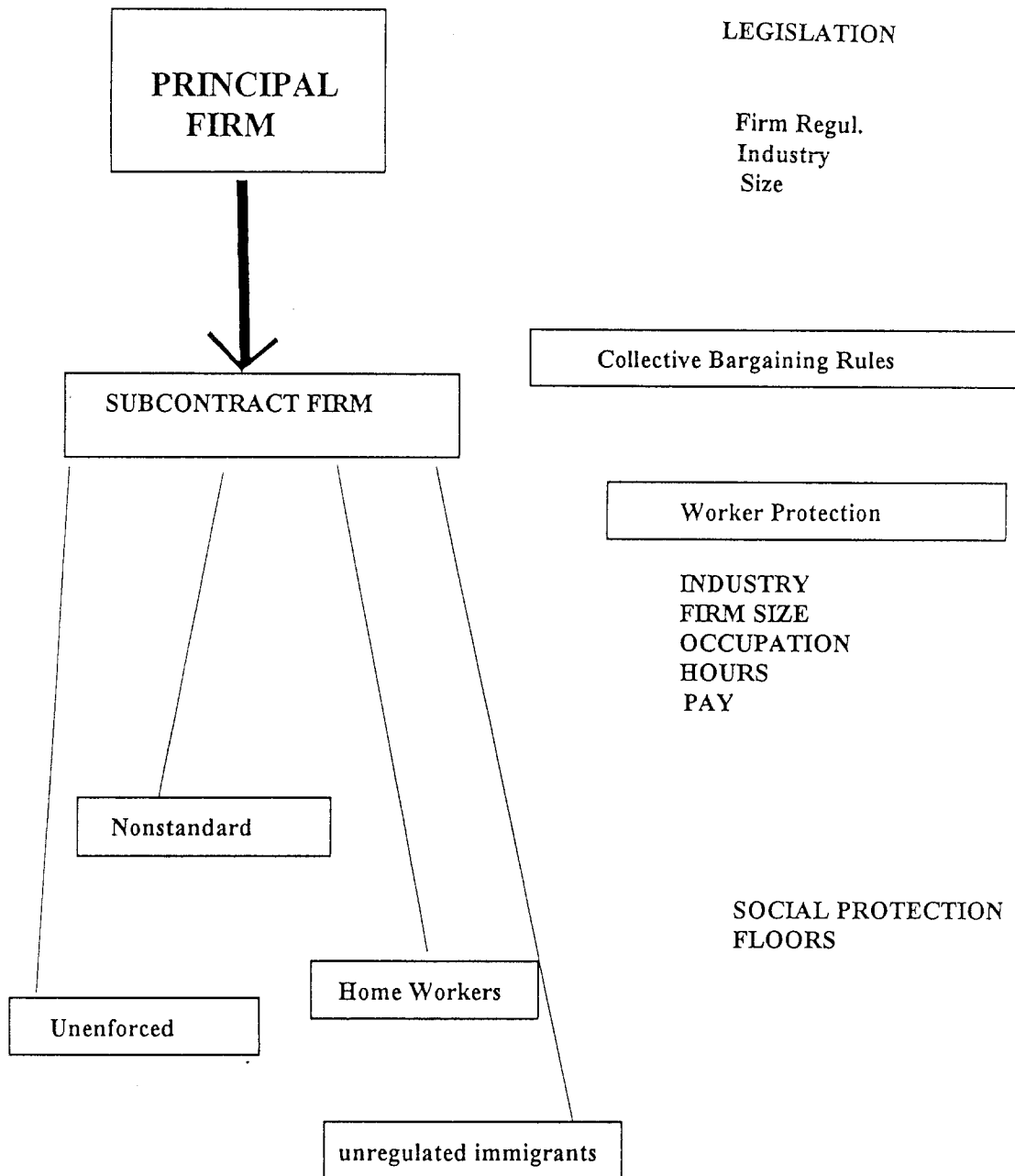
**Chair:** Katherine McFate, Associate Director, Working Communities, Rockefeller Foundation

**Stephanie Luce**, Professor, University of Massachusetts Labor Relations & Research Center

**Sue McNeil**, Policy Analyst, AFSCME

**Karen Nussbaum**, Director, AFL-CIO Working Women’s Department

Katherine McFate of the Rockefeller Foundation provided a framework for understanding the key actors and legislative scaffolding.



**Karen Nussbaum** of the AFL-CIO unveiled some of the labor movement's evolving ideas concerning workers under non-standard arrangements. Among her key points, strategy aimed at contingent and informal sector workers needs to 1) provide better protection for under-regulated workers, and 2) raise the rights and standards of regulated workers enough so that *unregulated* workers find it worthwhile to be in the standard workforce. She then outlined four approaches to accomplishing this: 1) bring contingent workers under basic labor laws, 2) make the laws more effective in raising the standard of living and reducing inequality, 3) implement labor law reform, and 4) change the debate to a discussion of basic rights. These aims should be pursued as part of a social movement. Indeed every worker in the world should have basic rights. The coordinated fight for basic labor rights in the FTAA (Free Trade Area of the Americas) may be an organizational hook for pursuing this. Nussbaum called attention to the need for more active unions in the lives of U.S. workers.

**Susan McNeil** of AFSCME discussed advocacy at the state level. In the first part of her presentation, she elaborated on mandated state studies of the switch from traditional to nonstandard/contingent employment. States such as Rhode Island, Maine, and New Hampshire are doing this, helping to broaden debate and drawing attention to the issues. In the second part, she took up protective legislation including the Workplace Equity Act, which provides for equal pay for those from nonstandard and traditional arrangements. This helps to level the playing field. She added to this mix disclosure requirements for temp agencies, regulation of day labor, and issues surrounding independent contracting, the last often leading to misclassified jobs. In the third part, she spoke of reform of the unemployment insurance system, once part of the safety net and now denied to large classes of workers. For overviews of state legislation, she told scholars and activists to turn to [www.nelp.org](http://www.nelp.org).

**Stephanie Luce** of the University of Massachusetts-Amherst gave an overview of living wage campaigns. There has been little urgency in the U.S. Congress to raise the federal minimum wage of \$5.15, which is neither indexed nor lifts workers above the poverty level. Eight states have a higher minimum wage than the federal standard, with Massachusetts at the peak of \$6.75. The state of Washington is indexed at \$6.70 and will very soon surpass Massachusetts. The city of New Orleans will have a measure on the ballot to raise the minimum wage \$1 over the federal level.

Despite these state and urban efforts, the mandated minimum wages still leave many workers mired in poverty. The living wage campaign has become a new way to raise the standard. There is much momentum now with 70 campaigns active in the U.S. Approximately 25 universities are looking at it now, perhaps receiving a major boost from the marathon sit-in at Harvard University in April and May 2001. Yet Luce points out that employers are fighting back. In Utah, living wage statutes have been rendered illegal, and corporate elements seek such a rollback in Michigan. While the labor movement has given strong support to living wage campaigns, a few unions have expressed worries that it may give workers less incentive to join organized labor. A living wage is not always a living income because some jobs do not last for an entire year. But some workers trapped in minimum wage employment have praised living wages for raising income sufficiently to allow them to quit one of, say, three jobs. Luce admitted that very few workers are covered by living wage ordinances in most municipal zones because the laws apply to workers for the government or in



firms with city contracts. Santa Monica is under pressure to extend a living wage of \$10.69 per hour to all workers within a tourist zone. Luce concludes that some activists are too eager to see living wages as a panacea, and they need to recognize that some jobs also have serious problems with health and safety that will require further interventions. In other words, there is a lot more that can be done.

Ellen Bravo closed this session with three “frames” that, once understood, could lead to better policy initiatives. First, she observed that non-standard jobs have become a means for business to cheapen the workforce. Public policy must take away the incentives for employers to do the wrong thing by using nonstandard arrangements as a means to erode wages. Second, a job should be seen as a basic route out of poverty, not a deepening road into it. Public policy must create the conditions that will ensure jobs become paths out of economic deprivation. Finally, Bravo believes that society must talk more about what a family needs to thrive, rather than use poverty or the poverty line as the gauge for setting public policy. She worries that the Earned Income Tax Credit is operating as a subsidy to business. In other words, public policy allows many companies to pay low wages, as firms rely on EITC to lift their low-wage workers out of poverty. In a polite dissent, Richard Freeman expressed the need for caution in attacking EITC, which he regards as among the most progressive reforms of the past decade. Bravo clarified that her attack is not so much on EITC as it is on public policy frames which give little incentive to create good jobs.

### ***“Strategies on Informal Work: Future Directions”***

**Elaine Bernard**, Executive Director, Harvard Trade Union Program

**Martha Chen**, WIEGO and Kennedy School of Government, Harvard University

Conference participants offered a variety of ideas and initiatives that might improve conditions for workers in the informal sector. They took up Ellen Bravo’s simple but compelling vision: a job should be a way out of poverty, not a way into poverty. Muneer Ahmad clarified that welfare reform has thus far been effective in getting people work, but the record is awful when it comes to lifting them out of poverty.

In all of the discussions of legal remedies, Elaine Bernard pointed out that there is a big difference between having rights versus the ability to exercise rights. In other words, a person might have a driver’s license but lack a vehicle in order to drive. What vehicle do people in nonstandard work situations have in order to achieve rights in the workplace? The government could never examine all workplaces. Unions are an enforcement mechanism that will in the long run be more effective than waiting for labor inspectors to rectify the thousands of workplaces that deny workers essential rights.

She also made the case for insisting on transparency. Manpower and others claim there is no fee when temps work for these agencies. Yet a worker can be sacked if he or she asks an employer or fellow employees how much people are paid. United Students against Sweatshops (USAS) has compelled many universities to disclose the location of factories, a major victory against Nike and the sports apparel industry. It is hard for employers to fight sunshine in the public arena. Still Tim Costello observed how aggressively the temp companies have lined up at the mikes in

opposing legislation that would make them reveal the mark-ups of charges and the actual wages paid to workers.

Katie Quan and Ellen Bravo both hailed the transformation in the painters union and hoped that there would be ways of popularizing what they are achieving in organizing new immigrants. Elaine Bernard argued that the building trades unions still dominate the training of their members, have independent sites, and establish union-based pensions. These are reasons the building trades have persisted. Workers stay linked to them because of these key services. Your employer changes constantly, but the union is stable. Alice de Wolff hoped that economists and social scientists could establish in a definitive way that corporate temp agencies probably cannot be profitable short of hyper-exploitation of workers. If this is indeed true, as had been claimed, it should make the case for new models of delivering temp labor, whether through community organizations or unions based on the best practices of the building trades.

Cathy Feingold proposed better case studies of what works and what doesn't in the field of organizing. For Sean McGarvey, it will be important not to neglect how effective leadership results in victories. He also thought that social investing might be able to generate targeted pressure. Karen Nussbaum hailed the solidifying of worker-student alliances.

Renana Jhabvla and Martha Chen pointed to some future projects of WIEGO and the ILO. While Jhabvla identified social protection as a key field of inquiry, she and Chen have an array of projects for WIEGO in Asia, Africa, and Latin America. In June 2002, the ILO has the informal economy on its agenda. It might be possible to make recommendations and contribute to the shaping of this agenda. Tim Costello observed that so many critics identify the ILO's shortcomings, but in a certain sense the body can help us see how much the U.S. fails to meet basic standards on labor. Chen added that WIEGO is commissioning two case studies and may have a regional meeting in the works.

This report can only give a glimpse of the many ideas proposed at this conference. Participants indicated that there is much energy to tackle these challenges, and this is just the early stages of a burgeoning movement. Dan Gallin called on conference participants to stay in touch and become linked with various networks. NAFE will be studying how to use the new communications tools of the information age in hopes of improving these links. This conference provided mapping of the problem, preliminary models for a new system of deploying temporary labor, and ideas for future studies and meetings that should clarify the issues at stake. In contrast to those who are treating informalization as a natural process of free markets and immigration flows, most participants asserted that public policy intervention and creative forms of labor organization might overcome the most dysfunctional features of this evolving social order.