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On the Killing Floor, Clues to the Impact of Immigration on Jobs

GREELEY, Colo.—Here on the outskirts of town sits a sprawling meatpacking plant where more than 3,000 workers slaughter and process thousands of cows a week—and where English is hardly the only language spoken inside. Indeed, the union handbook is printed in English, Spanish, Burmese and Somali.

The plant was one of a half dozen facilities owned by Swift & Co. that federal agents raided seven years ago in search of workers living in the country illegally. Some 260 people were detained here, forcing the plant's new owner to find American replacements after some were deported. When 1,300 new jobs were added, the task grew harder, and the plant took on its international flavor, hiring Somalis and Burmese refugees.

"We looked everywhere," said Christopher Gaddis, head of human resources for JBS USA, which bought the plant soon after the raid and advertised bonuses and small wage increases to try to fill slots. Today, JBS USA estimates 15% of the plant's workers are refugees.

Across the country, and in Congress in particular, the debate over the future of immigration continues to bat the same questions back and forth: Will legalizing immigrants and allowing in additional low-skill laborers displace native-born workers and cut wages? Or will new workers simply fill empty employment niches and spark a broader economic boon that benefits all? Economists are divided, but a plant like this one—which dealt with immigrants, first illegal, and then legal—may provide some clues.

So far, there isn't any broad evidence the new, legal immigrants are taking jobs from locals. They didn't drive down wages, but did allow the addition of that second shift, with additional workers whose presence is sparking other economic activity around town.

Dig deeper, though, and there are hints of why some worry about immigration's impact. Critics charge that, while wages have held up recently, immigrant and refugee labor have helped produce a long-term decline in meatpacking pay.

Economists disagree on what new flows of immigrants mean for American workers. Giovanni Peri of the University of California, Davis, believes when low-skilled immigrants come in, they often complement American workers, helping native-born workers climb the ladder. One of his studies showed previous waves of immigration boosted wages for low-skilled Americans.

Other researchers have found immigrants to be Americans' direct competitors. George Borjas, a Harvard University economist who has supported limits on immigration, found that when immigrants—legal and illegal—came to the U.S. over a nearly two-decade span, they pulled down wages for low-skilled workers by as much as 4.7%.

The nonpartisan Congressional Budget Office fueled the debate with its prediction that a Senate immigration bill to legalize undocumented immigrants and create new work visa programs would boost economic growth, but that wages would fall by 0.3% by 2033 for high school dropouts and certain high school graduates.

Profiles in Immigration

Waves of immigration have changed the face of meatpacking and Greeley, Colo. Hear from some of those affected.

At the Greeley plant, cattle are herded up a curved ramp, known as the "stairway to heaven," and greeted at the top by a worker in the "knock box" who waits for the right moment to use a pressurized gun to shoot a rod into each steer's head. Nearby, a river of blood runs across the "kill floor" as cattle are heaved aloft on a chain for the various stages of dismemberment.

On a recent day at the plant, a worker on the kill floor deftly hooked a cattle's hide, just above the shoulder, into a machine called the hide puller. A bar swooped down, yanking the hide over the cow's head and leaving behind a naked carcass. The machine can do that 365 times in an hour. The work used to be done by hand; workers used knives to peel the hide from the skull.

Employees work eight hour shifts, standing, with a 15-minute morning break and a 30-minute break for lunch. It is tiring and riskier than average work. For every 100 workers, 6.4 were injured or fell ill on the job in 2011 nationwide. For all occupations, public and private, there were just 3.8 incidents per 100 workers.

Since the meatpacking plant was built in Greeley in the 1950s, the northeastern Colorado city has lured immigrants. The population blossomed to more than 90,000 in 2010, 36% of whom were Hispanic, most of them from Mexico. Twenty years earlier, the town had 60,500 residents, 20% of them Hispanic.

Now the area has about 2,000 refugees, too—the "new Mexicans," as some in the meatpacking business called them. Asad Abdi, a refugee who got his start at the meatpacking plant in Greeley, opened a Global Refugee Center in 2008 to help immigrants learn English, find housing and jobs and apply for government benefits.

The changes haven't always unfolded smoothly, breeding tension among native-born Americans, Latinos and refugees here.

"We're a pretty conservative community, and I would say we don't want illegals," says Greeley Mayor Tom Norton, where unemployment stood at 8.4% in June. "But we do want a labor force." There's the rub, he says. There are some longtime residents who still want to work in meatpacking plants, but not very many.

At the time of the raid, the plant owner then denied it knowingly hired unauthorized workers, although some were deported. After taking over the facility, JBS executives went on their hiring blitz to add more than 1,000 jobs, both to ramp up for the second shift and make up for losses

from the raid. They advertised on the radio, bought billboard space and ran newspaper ads. They sought out towns where workers were more likely to have factory experience.

When their efforts fell short, they focused recruiting on Denver, a popular spot for refugees, a group the U.S. government gives legal status if they have been persecuted or fear persecution in their home countries. Unlike undocumented immigrants, they can legally work in this country.

It was 2007, and the unemployment rate hovered above 4%. Factories were in hot competition for workers. One thing JBS didn't do was to sharply raise pay, since it would have had to do so for the whole workforce at the unionized plant. Instead, it offered signing bonuses and spread the news in the local paper: Starting in a few months wages would go up. A new union contract was set to kick in, bumping up the base hourly rate from \$11.75 to \$12 and nudging up the top rate to \$13.95 from \$13.60.

Still, wages have fallen in meatpacking plants over time, as plants relocated to rural areas, unions weakened and jobs grew more mechanized. Production workers in meatpacking earned more than \$13 an hour in June. In the 1980s, the pay was more than \$19 an hour, adjusted for inflation.

An overhaul of immigration laws has the potential to build a wider pool of labor for companies like JBS, executives said. Labor unions would help ensure wages wouldn't decrease, meatpacking executives said.

Mark Lauritsen, international vice president and director for the food processing, packing and manufacturing division for the United Food and Commercial Workers union, agreed economic factors and unions play a bigger part in affecting wages. "I lived through the 1980s working in a meatpacking plant when a meatpacking job went from the best job in the Midwestern United States to where the unions were busted and the wages were driven down," he said. "Immigration played no part in that." The UFCW supports the Senate immigration bill.

New immigration policies would give people such as Maria Mendoza, 38, who came to the U.S. illegally from Mexico, a chance to work again. She narrowly missed being caught in the 2006 immigration raid at the Greeley plant, where she was earning \$12.75 an hour. Now, the seven-person Mendoza family survives on her husband's \$39,000 annual salary. He has legal status and works the cleaning shift at the packing plant.

"The thing is, if we get legal documents, we wouldn't be competing for the jobs that most Americans apply for," said Mrs. Mendoza, who said she wants to return to work, even at a meatpacking plant. "We'll be competing for the jobs that Americans don't want."

Finding the right kind of worker is critical. It costs between \$12,000 and \$15,000 to train new employees at the Greeley plant, which has a 29% annual turnover rate. These days JBS has teamed with Citizenship and Immigration Services under a program that is designed to help improve their hiring process to ensure a legal workforce. The company said it has increased spending on compliance by 8% to 10% per worker.

"We compete like hell for labor," said JBS's Mr. Gaddis. "There's no way that anybody in our industry can undercut, from a wage perspective. People will flee in flocks of thousands."

On a breezy day in Greeley, the smell of "vacas," or cows, wafts through downtown. The area is having its own mini-revitalization, dotted with shops such as the La Tarahumara Mexican market, the Najah African restaurant and an African barber shop. A new chophouse opened, too, featuring one of the priciest entrees available in downtown Greeley: A 22-ounce, bone-in rib eye that sells \$42.95. It is a JBS product.

Abdiwali Amaan, an Ethiopian refugee, saw a Swift ad in Denver for a \$1,500 signing bonus just a few weeks before the raid. Swift, which filed an unsuccessful injunction to try to block the raid, started running ads to replenish its workforce even before the raid took place and while it was in negotiations with federal authorities.

Mr. Amaan accepted a job at the plant, earning \$11.25 an hour, plus the bonus, in 2006. After the raid, he took advantage of the referral bonus as well, coaxing two of his friends to come to Greeley and earning Mr. Amaan \$2,400. In the mornings, he would make four or five trips to the plant to drop off more than a dozen new refugee workers. He was the only one with a car.

In March 2009, earning \$13.45 an hour at the plant, Mr. Amaan quit. The African market he was running on the side, which sold such hard-to-find staples as Halal meats, was generating enough income to support him. The influx of new immigrants, in this case refugees, pushed him up the economic food chain. Before long he helped his brother set up a second African goods store in town. Mr. Amaan gets a 20% take.

"It's more money, it's not easier," says Mr. Amaan, who proudly boasts about how much he paid in taxes last year (\$2,900) before dinner at one of Greeley's East African restaurants.

His wife is angling for him to buy a home instead of staying in their rented apartment, and the couple has an eye on future expansion opportunities. "I hope to be a big company," Mr. Amaan says.

The catch with immigration is "some people are winners and some people are losers," says Pia Orrenius, an economist at the Federal Reserve Bank of Dallas. Immigrants, American companies that benefit from the labor and workers who move up the food chain tend to be the winners. There is no doubt legalization is good for those who are legalized. It could, economists estimate, boost their wages by 5% to 20%, because they would be able to switch jobs more easily and pursue more education.

The losers find themselves in direct competition with new immigrants.

Oscar Saenz, an executive assistant in the packing division of the UFCW labor union, and who has worked in meatpacking for four decades, says the union contract at the Greeley plant is one of the best they have negotiated at any beef plant. He supports an immigration overhaul to give millions of undocumented immigrants legal status, but he worries that new work-visa programs will allow so many new workers in that it will make the union's job harder. "Maybe by having so

many of them, we're not going to get the wages we want for the American workers," he worries. It is one of the trade-offs, he says, to get a comprehensive plan passed.

Luis Benzor, 39 years old and a native-born American, thinks he is already getting the losing end of the deal. He says he applied for a job at the plant and never got a call back "because they have Somalian people that work there."

After a 15-year stint in the Army, he ended up in a construction job with steadily declining wages. He was laid off. He blames illegal immigrants willing to work for lower pay.

During a nine-month stint of unemployment, he applied for jobs in retail, customer service and auto mechanic shops. He says he has had scrapes with the law in the past that may be hurting his chances, including a domestic dispute that resulted in a criminal record. But he did earn an associate degree to be a diesel mechanic and is pursuing a second degree in auto mechanics.

A spokesman for JBS declined to comment on Mr. Benzor's application, but said it was an "equal-opportunity employer." Eventually, Mr. Benzor took a diesel mechanic job for less than the starting wage at the plant.

"We have to really look at ourselves and say, OK, if we bring more people here are we going to hurt the people who are here already?" Mr. Benzor says. "You're competing with people that come from other countries and it's just like, what is left for us?"

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