

Wall Street Journal: A CEO's Demand: Fix Immigration

By Miriam Jordan

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A government crackdown that found Chipotle Mexican Grill Inc. had hired hundreds of illegal workers has turned Monty Moran, the burrito chain's fiery co-leader, into an unlikely champion of immigration overhaul.

Over the past year, Chipotle became the highest-profile target of an Obama administration campaign against employers of illegal workers.

In a so-called silent raid, Immigration and Customs Enforcement inspected the chain's hiring records and found more than 500 undocumented workers, who had to leave the Denver-based company. It had to let go more than half of its 900 employees in Minnesota and lost others to federal scrutiny of outlets in Washington, D.C., and Virginia.

The enforcement moves left some Chipotle restaurants struggling to operate as managers rushed to train replacements. Finding qualified workers has become a continuing challenge. That's partly because word has spread that Chipotle, which employs 30,000 people, now is part of a federal worker-screening program.

Chipotle says its employee annual turnover at its restaurants nationwide has risen to more than 125% since the investigation from below 100%. Triple-digit turnover rates are common in the fast-food industry, where companies may have to fill the same job multiple times a year. Chipotle also says managers in some markets are interviewing 30 to 40 candidates to fill one opening, compared with 10 previously. At a recent job fair in Washington state, Chipotle hired just eight of the 100 people it interviewed.

"We have to look a lot harder," says Mr. Moran, the company's co-chief executive. The experience has turned the 45-year-old Mr. Moran into a vocal advocate for changing U.S. immigration laws. In recent months, he has met with Sens. Michael Bennet and Mark Udall, both Colorado Democrats, and Charles Schumer, a New York Democrat, as well as Republican Reps. Darrell Issa of California and Lamar Smith of Texas. His message: fix immigration.

"These guys need to know what is going on," says Mr. Moran, in his first major interview since the investigation. "Immigration is really messed up."

While he isn't prescribing a specific remedy, he has told lawmakers he needs access to a strong, legal work force. A temporary guest-worker program, advocated by some lawmakers, might work in sectors like agriculture, but it doesn't address the needs of a business that requires qualified labor on a year-round basis, he says.

Fast-growing Chipotle has much at stake in the immigration debate. By year end, it expects to have added roughly 145 new outlets, with as many as 165 coming next year. Sales at stores open at least a year rose 11% in the third quarter, fueling a 25% jump in profit. Chipotle shares have gained 50% this year.

The chain, which says it expects to hire 100,000 workers in the next three years, sees immigrants as vital to its success. About half its workers are Hispanics, including many in management roles. Chipotle also regards immigrants as important customers for its premium burritos and tacos.

Mr. Moran, who was chief executive of a Denver law firm before joining Chipotle in 2005, has pushed the chain to promote from within as part of a strategy to reward top-performing employees and encourage them to stay on. He crafted a blueprint for advancing talented crew members, the company's term for those who make and serve its food, into general managers and beyond, breaking with Chipotle's former practice of recruiting managers from outside. Pay for employees promoted to the highest levels of store management often tops \$100,000. He estimates that about 97% of Chipotle's store managers started on its service line.

"We've got a business to run and need great people," says Mr. Moran. "It's always been our job to build the business up with the foundation of the very best people we can find. Period."

In the past few years, Mr. Moran and his team went on a hiring spree as the chain expanded. Mr. Moran says they unintentionally hired some illegal immigrants, which got it into trouble. When checking documents of potential employees, "our goal was to be zealous, but not overzealous," he says.

Chipotle isn't the only company to get tripped up by the recent immigration crackdown. Since January 2009, ICE has audited more than 5,900 employers, mostly in the construction, hospitality, manufacturing and farming sectors. Companies, including janitorial giant ABM Industries Inc. and clothing maker American Apparel Inc., have paid a total of nearly \$76 million in fines and had to dismiss thousands of workers.

Chipotle still is under investigation by the U.S. attorney's office for the District of Columbia. A spokesman for the office said it doesn't confirm or discuss probes. ICE also declined to comment.

The investigation has cost Chipotle both time and money. It has spent more than \$1 million in legal fees related to the immigration audit, and it may face a fine and criminal charges. It also has joined the government's E-Verify worker-screening program and is installing a system to fill out employment papers electronically.

The probe's fallout inspired Mr. Moran to visit Washington, where he minced few words with those he met. "He's not a quiet, retiring guy," says Sen. Bennet. "He communicated that he had gone through a traumatic experience, an experience at war with how business and this country ought to work."

Mr. Moran says he gave an earful to Rep. Issa and Rep. Smith, who is chairman of the House Judiciary Committee and a fierce foe of illegal immigration. He also spoke against a proposed guest-worker program that would bring foreign labor to the U.S. only temporarily.

"I don't want to use them and send them off," Mr. Moran says he told the representatives. "We want people to develop long-term careers with us."

A Judiciary Committee staff member confirmed that Rep. Smith had a "courtesy meeting" with Mr. Moran at Chipotle's request, but declined to comment on the discussion.

Some immigration-overhaul advocates that have worked with Chipotle say the chain's efforts are helping to spotlight the issue. "They had the guts to come forward to explain how hard it is to operate in the current immigration environment and to underscore the need to fix it," says Tamar Jacoby, president of ImmigrationWorks USA, a federation of businesses that back immigration overhaul. Chipotle has paid fees to ImmigrationWorks for strategy advice.

The chain also has worked to cultivate its relationship with Hispanic and immigrant groups. Two senior Chipotle executives have met with officials at the National Council of La Raza, a prominent Hispanic advocacy organization.

"Having been hit pretty hard, they were convinced they had to get involved in public policy discussion," says Charles Kawasaki, the group's senior vice president.

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