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# Agricultural Labor Report

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## ECONOMIC IMPLICATIONS OF LABOR AND IMMIGRATION POLICY: THE CASE OF GREELEY'S SWIFT PLANT

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The controversy and debate surrounding the role of immigration and workers with various degrees of employment status is fueled by a variety of philosophical, legal and social factors. However, these discussions are rarely framed in the larger economic context as to whether visiting workers or those without a long term commitment to the communities in which they work mute the economic contribution of broader economic development goals for regions. For example, almost all economic impact assessments are firmly grounded in the idea that creation of jobs and household spending related to those jobs are a major driver of any economic growth.

In this vein, various industries and businesses use their "economic clout" to gain favor in political processes, and promote their "economic impact," of which, labor spending is significant. Yet, if certain labor or employment is not directly impactful to Colorado communities, these impacts may be exaggerated. For this reason, a thoughtful look at the nature of employment, the labor pool and status of that pool, and consideration of the persistence of earnings and spending in a region may be useful in immigration policy discussions.

We begin with a discussion of the economic significance of the Hispanic population, that population's potential linkages with some major industries and what that may suggest about the economic contribution to communities where industries are located. Then, considering the full range or labor supplied (from permanent workers to the other end of the employment continuum, migrant workers), we can modify the economic contributions we may see across the realm of employment situations. For example, the true "buying power" of migrants and H-2As in any region is likely lower than that of immigrants on the path to legalization which is likely lower than that of permanent, settled workers. This indicates a difference between the potential impacts of various agricultural workforce policies (such as Colorado's HB 1325) versus those associated with earned legalization, and a relevant issue to the ongoing debate on how to best supply our labor intensive food and plant industries.

### Colorado's Hispanic Population

Hispanic population growth throughout the US has made this ethnic group the largest minority

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demographic in the country. According to the Pew Hispanic Center, Hispanics account for more than half of overall US population growth since 2000. Colorado's Hispanic population growth is far surpassing the US average: exceeding the national average by 5%. The median age of Hispanics in the US and in Colorado in 2007 was 27 years old, thus significantly contributing to expectations of future growth in this demographic, and thus, a higher reliance on Hispanics in the future workforce. As of 2007 Colorado has the eighth largest Hispanic population in the nation, with this ethnic group representing 19.9% of the state's total population.

**The Impact of the Hispanic Population on Agriculture**

Although Hispanics are employed in every industry and represent firmly established ethnic groups in many areas, they are also a significant share of some industry's workforce, including labor intensive agriculture. Because agriculture is a common workforce entry point for newly arrived immigrant populations from Hispanic countries, this group is an important factor to consider in any workforce or immigration policy change.

Hispanic farm workers are a large majority of the hired workers within US agriculture, with some estimates as high as 95% of hired workers. The availability of seasonal, hired farm workers impacts production as well as the cost of labor. For example, growers who specialize in vegetable, fruit, tree nut, or horticultural production, report labor costs that are 30-40 percent of cash expenses, so a 20% change in costs (or shortage of labor) could have significant impacts on their returns. As a result of this, agricultural employers are changing their attitudes about current immigration policy and its inflexibility, but may not be considering the broader economic implications of how and who they hire.

**Hispanic Population in Weld County**

Between 2000 and 2007, five Colorado counties had Hispanic population growth of 41% or more (Pew Hispanic Center, 2008). In 2006, in Weld County, the Hispanic population was estimated to be 27.99% of total population, more than 12% higher than national average. In what might be a related industry linkage, Weld county ranks 5$^{th}$ in the nation and 1$^{st}$ statewide for agricultural products sold. In Weld County the average annual wage that an agricultural worker earned was $27,612 in 2006, more than $7,000 greater than the average Hispanic worker throughout the rest of state.

As a case study of how the growth of the Hispanic population within Weld County and in Colorado impacts the spending within the regional economy, we can provide an overview of this group's buying power in the region. Figure 1 illustrates potential Hispanic buying power of workers in the meatpacking sector within the Weld County economy.

Note that remittances are one "leakage" that are commonly reported from this population, as many have remaining family ties to their home countries, especially if they are first generation, regularized workers from a past amnesty program. Based on a study from the Horace Hagedorn Foundation, we assume fifty-four percent of Hispanic foreign born workers remit an average of $2,076/yr. A primary question therefore is whether authorization or amnesty would reduce this leakage, or alternatively, whether more temporary guest worker programs would augment this leakage beyond remittances to direct a high share of household spending to remote locations when guest workers complete their assignments in the region.

Figure 1 is a useful illustration in helping people to understand and assess what industry earnings may "leak" from the local economy based on different employment programs and status of workers. Given these earnings may represent over half of the total economic activity for an industry, this potential "loss" to the economy may cause some concern. So, of the total money earned (the top of the pyramid), there is only a small share which would necessarily remain in the Weld county communities around the plant, and only a small share that necessarily would "leak" out of the region as remittances to the home country. The majority ($44.5 million) that goes to spending and savings is all "at risk" if a worker sees themselves as only temporarily in the community, as they savings and monies are more likely to be spent or consumed outside the region in the long run (with the exception of some housing, utility, merchandise and food allowances).

**Meatpacking in Colorado**

To make an even more specific example of potential economic impacts to employment choices within an industry, we examine the case of meatpacking in Colorado. In 2006 6,500 workers were employed in the

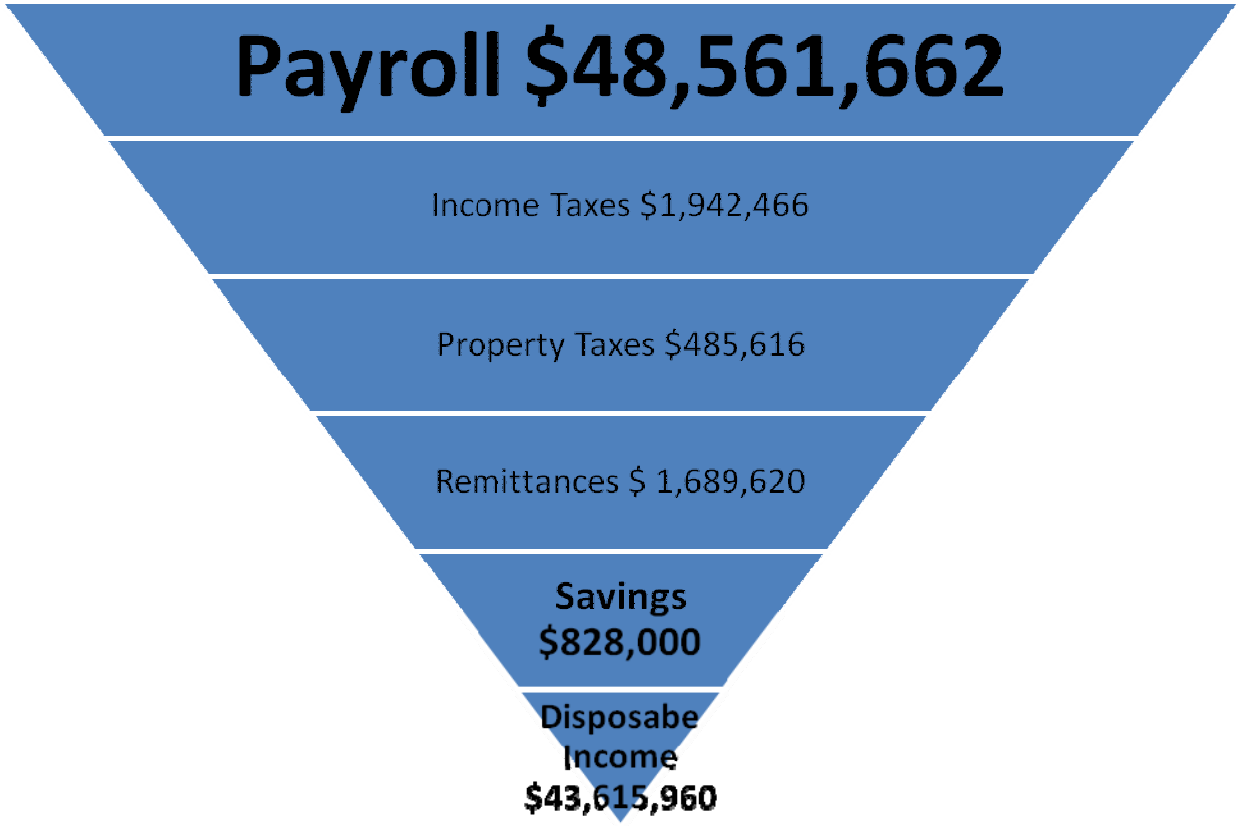


**Figure 1: Buying Power and Distribution of Expenditures for Hispanic Workers in Weld County's Meatpacking Industry**

meatpacking sector (mostly in Weld county), and the average annual income was $32,000. The bulk of the agricultural economy in Weld County is from livestock production, with Swift being the largest employer. Figures 2 and 3 show that, although workers on payroll have decreased within the industry, lower numbers of workers are being paid higher wages in recent years. While these trends may be suggestive of good employment outcomes, it is not clear what this would mean in the case of a major shift or change in hiring or immigration enforcement policies.

**Economic Implications of the December 2006 Swift Meatpacking Raids**

The Center for Immigration Studies (CIS), a Washington D.C.-based think tank, released a report in March 2009 discussing the effects of the December 2006 Immigration and Customs Enforcement (ICE) raids on Swift & Co. in Greeley, Colorado; Cactus, Texas; Grand Island, Nebraska; Hyrum, Utah; Marshalltown, Iowa; and Worthington, Minnesota. The raids resulted in 1,297 illegal worker arrests. Approximately another 400 Swift workers were dismissed a few months before the raids due to hiring practice changes after federal probes.

The report finds that for meatpacking in general is characterized as being difficult and dangerous (though government reports differ on whether safety has improved recently), that worker living standards have declined in recent periods, and wages, bonuses, and employee perks (including relocation expenses, daily transportation, temporary housing, and medical insurance) have risen more significantly than consumer meat prices since the raids. The report estimates that prior to federal probes and the raids themselves, approximately 23 percent of Swift production workers were illegal immigrants. The author finds that all facilities returned to full production within five months and all resumed production at decreased capacity on the same day as the raids. Back of the envelope

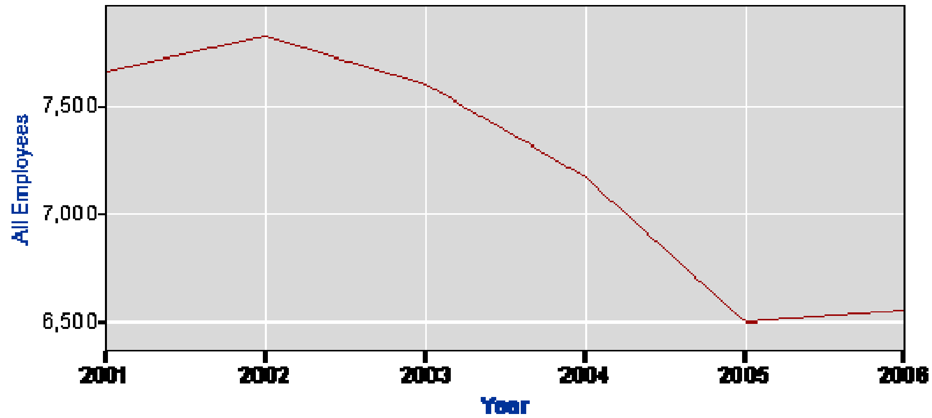


**Figure 2. Colorado Meatpacking Employees by Year**

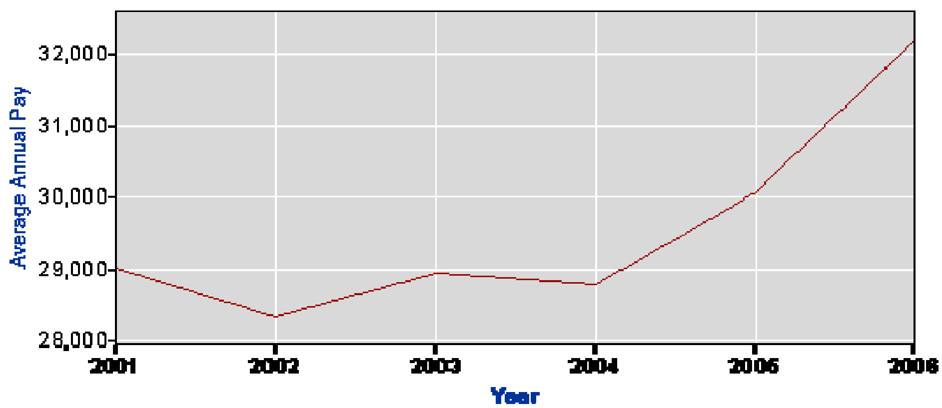


**Figure 3: Colorado Meatpacking Worker Average Earnings by Year**

calculations suggest that if wages and benefits increase by one-third in meatpacking then retail meat prices will increase by, at most, three percent.

Indications from newspaper advertisements and court records are that wages increased between 7.7 percent on average (between 6.1 and 9.4 percent across the four (of six) plants for which data were available) and that new bonuses as a share of annual pay under the assumption of full-time non-temporary work were valued up to 9 percent of starting wages. Furthermore, as of the end of 2008, all six of the plants that were raided in December 2006 had United Food and Commercial Workers representation.

Swift participated in the federal pilot program to check Social Security numbers prior to the raids, and corporate officials ultimately were not charged for hiring the large numbers of illegal immigrants discovered in the raids. A Brazilian company purchased Swift from Dallas-based owners and renamed it JBS Swift in 2007. Swift's corporate headquarters are in Greeley, Colorado.

**The Greeley, Colorado Experience**

The CIS report chronicles what is known regarding the impact of enforcement on wages in each of the six plants involved in the December 2006 raids. We focus on summarizing the Colorado case here. In Greeley, Colorado, 252 workers were arrested according to ICE data. The full-capacity Greeley workforce is 2,200. In contrast to other sites, no wage increases are reported either before or after the raid in Greeley; however, signing bonuses of $1,500 were offered resulting in a total increase of 6.1 percent. However, it should be noted from Figures 2 and 3 that earnings had already increased through 2006, so some of the shock of better compliance may have been realized previous to the raid.

Total increases were 7.2 percent for Cactus, Texas; 7.9 percent for Grand Island, Nebraska; and 9.4 percent for Hyrum, Utah. No data are available for Marshalltown, Iowa or Worthington, Minnesota, as Swift was not cooperative in releasing data and therefore statistical evidence comes from other published accounts.

The Greeley plant experienced increased numbers of job applications including those from Caucasians, U.S.-born Hispanics, Somali refugees, and Hispanic immigrants. The demographic of the Greeley plant has changed from 90 percent Latino to 80 percent Latino. In the year after the raid, the Greeley plant added a second shift (1,300 workers).

The Greeley experience after the raids may differ from the other plants since Greeley has a larger population than the other locations. A phone survey conducted by the *Greeley Tribune* found a highly heterogeneous response to a question regarding whether Greeley has changed for the better or worse since the raids.

**Conclusions**

The author of the CIS report suggests that the fact that Swift plants returned to full production within several months of the raids means that illegal immigrant workers displace American workers (taking jobs that they "want") and lower wages. The author notes that this recovery took place before the current financial crisis and therefore before trends toward increasing unemployment.

A standard economic cost-benefit analysis of the effects of the Swift raids would account for lost production elsewhere in the economy as workers (legal and illegal) left current employment (including non-wage work in the home, for example, for which a value would have to be imputed) for new opportunities at Swift as well as losses in regional multiplier effects as illegal workers (and their purchasing power with them) left areas near Swift plants. The 2006 ICE raids therefore may have resulted in both a redistribution of rents from firm owners and illegal workers to legal (and possibility new illegal) workers *and* a net loss in an aggregate economic sense. It should be further noted, however, that the overall legal status of new workers since December 2006 is uncertain and therefore the full incidence of the raids by legal status is also unknown. Statistics on the demographic change at Swift (as presented in the CIS report and holding the size of the workforce constant) are suggestive of decreases in Hispanic buying power in Weld County since the raids. Whether non-Hispanic replacement workers represent increases or decreases in total buying power is uncertain and subject to assumptions regarding the previous employment and residence of these workers. Additional statistical evidence would be necessary therefore to confirm or deny hypotheses and to complete analysis.

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