

Senate Democratic Special Committee on Immigration & Georgia Economy's Public Forum on the Updated HB87 Immigration Legislation | Wednesday, July 27th, 2011 (2:00-4:00pm)
Testimony from Karen Bremer, Executive Director, Georgia Restaurant Association

Good Afternoon, Ladies, Gentlemen and our Honorable Senators.

Thank you, Senator Thompson, for the opportunity to update this committee on the effects of the Illegal Immigration Reform and Enforcement Act of 2011 on the foodservice industry. The Georgia Restaurant Association represents our state's second largest private sector employer. Georgia is home to over 16,000 eating and drinking establishments which are projected to generate \$14.7 billion in sales this year.

Clearly, the restaurant industry is a vital economic engine. For that reason, we are concerned that the Illegal Immigration and Enforcement Act will harm the very people it is trying to help - the citizens of our state who are in such desperate need of relief from high unemployment rates caused by the Great Recession.

Like many of your constituents, I have faced the harsh consequences of this recession firsthand. Some of you may be familiar with the restaurants Dailey's and City Grill. I owned and operated these restaurants in downtown Atlanta until 2009. Laying off 130 people in the depths of the recession was one of the most difficult things I have ever done.

I speak with you today, in my capacity as Executive Director of the GRA, to share the results of an economic impact study we recently conducted. While it may be too soon to tell the true burden of this immigration legislation on Georgia's restaurants, the early indicators are alarming.

When asked about current labor availability, almost half of the restaurants surveyed are experiencing a labor shortage. In addition, 88% are concerned that they will face a labor shortage in the future. Despite persistently high unemployment rates in Georgia, over half of the respondents are concerned that fewer workers will apply for future openings and 27% indicated that they have already noticed a decline in job applicants.

In the midst of our fragile economic recovery, estimates of monthly restaurant sales loss due to labor or customer shortage ranged from \$2,000-\$80,000 per month. Many restaurateurs are small business owners, with slim profit margins averaging 4%. Such costs jeopardize the 385,000 jobs and \$962 million in taxes the restaurant industry provides for our state.

You may ask, with the unemployment rate just under 10%, how could restaurants possibly have trouble staffing their restaurants? I assure you, they are asking the same question.

Agribusiness, our state's largest private sector employer, faces similar challenges. The Georgia Department of Agriculture found that nearly half of the farmers surveyed don't have enough workers to pick their crops. This leaves harvests rotting in the field and drives up food costs.

Let me be clear. We do not support illegal immigration. What we do support is comprehensive immigration reform on a federal level. We need increased border security, a workable employment verification system, a worker program and an earned path to permanent residence for certain undocumented immigrants.

Our immigration system is clearly broken, which undermines the security of the United States and erodes the integrity of our laws. However, increased enforcement alone will not solve the problem. We need to do more than simply crack down on illegal immigration.

Realistic reform is needed to fix the system. To create legal channels for workers who come to this country to fill the jobs necessary to keep our economy growing, we need to find a solution for the estimated 14 million unauthorized workers who live in the United States. Deportation is unrealistic. But requiring local law enforcement to take on federal immigration responsibilities creates unfunded mandates and wastes valuable resources.

Likewise, requiring small business owners to further enforce federal immigration policy without safe harbor for good -faith compliance is a natural deterrent to free enterprise.

The Immigration Reform and Control Act of 1986 already requires employers to verify that all newly-hired employees present "facially valid" documentation verifying the employee's identity and his or her legal authorization to accept employment in the United States.

The restaurant industry is very labor intensive. Think of all the people involved to deliver a relatively inexpensive product. That's why each \$1 million generates an additional 29.2 jobs. And every \$1 spent in Georgia's restaurants generates an additional \$1.31 in sales for our state economy.

The vast majority of respondents recruit employees through word of mouth (56%) and online services (36%). Only 2% recruit through the Georgia Department of Labor and none use H2B visas.

So here is the nature of the labor shortage we are now facing. Restaurants are losing trusted employees who have been with them for 15-20 years. Why are they leaving? It could be because they or a family member fear that their documentation is no longer sufficient. Or it could be that they fear discrimination because of their name, their accent, or the color of their skin.

Despite the fact that we are the birthplace of the civil rights movement, let's set aside the obvious civil rights implications of this legislation for now.

Regardless of their reasons for leaving, the institutional knowledge lost when a valued employee departs after 20 years of service carries a high cost.

As one survey respondent said, "I believe the food industry will be drastically affected by the shortage of hourly staff with respect to the current proposed immigration law. I foresee in the future a 20 to 25% increase in hourly wages from strictly a supply and demand perspective. This cost cannot be absorbed by operators which will result in the need to pass the cost along to the consumer. This legislation ends up hurting the very folks it is trying to protect."

And if the consumer cannot, or will not, pay this increased cost, then more restaurants may close - taking jobs with them - and sending a ripple effect through our economy.

Almost a third of the survey respondents opted to provide additional feedback, and 91% of that feedback was in opposition to Georgia's Immigration Reform. These comments reflect frustration and the challenges facing restaurateurs. One respondent said, "Much of my staff now refuse to drive to work, which makes it difficult for me to find employees to close my restaurant, since we close after Marta stops running. So while I do not have a labor shortage, I have trouble making a schedule for everyone."

HB87 went into law on July 1st, 2011, an injunction was granted against some provisions and others will be phased in between now and July 1st, 2013. While it may be too early to tell the true labor and economic impact of this legislation on Georgia's restaurants, these survey results indicate that there is cause for concern, especially in this weak economy. We will continue to monitor and report the impact of this legislation.

That's why it is critical that we work together to stem current and potential labor shortages caused by this attempt to reform a complex federal issue on the state level. We want to open dialogue with you to help find a sensible and comprehensive national solution.

The longer Congress fails to act, the more employers will face a growing patchwork of bewildering and punitive laws — laws that fail to resolve fundamental problems with the U.S. immigration system.

Employers are partners in economic growth and job creation, not adversaries in the immigration debate. These survey results are both cause for concern and opportunity for collaboration.

The more quickly we form a coalition between the public and private sectors, the more effective we can be in petitioning our federal government to take action in solving their failed policies.

The restaurant community is prepared to work with you to solve the immigration issue. Let us put permanent working groups in place to improve E-verify and work with law enforcement to target and rid our state and country of dangerous criminals. Finally, let restaurants be a partner in finding the common solution that keeps our state economically strong and strengthens our reputation as a leader.

We look forward to working with you and are available for any questions you might have. Thank you for your time and for your consideration.