

THE WALL STREET JOURNAL.

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U.S.

Small Businesses Lament There Are Too Few Mexicans in U.S., Not Too Many

As the labor market tightens and the population of undocumented immigrants shrinks, employers in low-skill industries such as hospitality, construction and agriculture scramble to fill jobs

By **MIRIAM JORDAN** and **SANTIAGO PÉREZ**

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In Dallas, the King of Texas Roofing Co. says it has turned down \$20 million worth of projects in the past two years because it doesn't have enough workers.

In the San Francisco Bay Area, Joe Hargrave is expanding his successful Tacolicious chain of restaurants, but says he is building smaller ones due to "a massive shortage of restaurant workers."

And in Florida, Steve Johnson, who harvests oranges for the citrus industry, says, "Right now, if I had 80 guys, I could put every one of them to work."

As hiring accelerates and the labor market tightens thanks to a steady U.S. recovery, employers who need low-skilled workers are increasingly struggling to fill vacancies. One big reason: Mexican workers, who form the labor backbone of industries like hospitality, construction and agriculture, are in short supply.

President-elect Donald Trump said on the campaign trail that he would deport immigrants who are here illegally and build a wall to prevent new ones from sneaking in. He recently softened his stance, saying that he would focus on removing undocumented criminals, at least initially.

"While there are many illegal immigrants in our country who are good people, this doesn't change the fact that most illegal immigrants are lower-skilled workers with less education who compete directly against vulnerable American workers, and that these illegal workers draw much more out from the system than they will ever pay in," Mr. Trump said Aug. 31 in Phoenix.

Many business owners who rely on low-skilled labor say the real trouble is too few Mexicans heading north, not too many. "Without Mexican labor our industry is at a standstill," says Nelson Braddy Jr., the owner of King of Texas Roofing Co, which is helping build a sprawling new Toyota North American headquarters in a Dallas suburb. He says he would hire 60 roofers right away if he could find them. "It's the worst I have seen in my career," he adds.

Annual inflows of undocumented immigrants from Mexico have slowed to about 100,000 a year since 2009, from about 350,000 a year in the mid-2000s and more than half a million in the late 1990s and early 2000s, estimates the Pew Research Center. Apprehensions by the U.S. Border Patrol of Mexicans and other foreigners entering illegally declined to 337,117 last year, the least since 1971.

"Mass migration from Mexico is over," says Pia Orrenius, senior economist at the

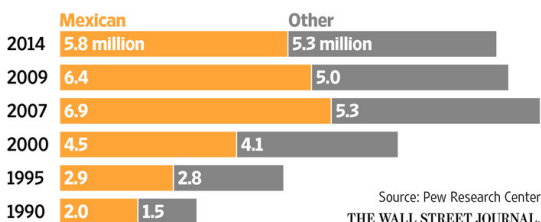


Workers on the job in Garland, Texas, for the King of Texas Roofing Co. last month. PHOTO: MATTHEW BUSCH FOR THE WALL STREET JOURNAL

Federal Reserve Bank of Dallas, who studies migration. “Low-skilled labor will never be as plentiful again.”

Changing Mix

The overall population of undocumented immigrants has declined in recent years, especially those from Mexico



Multiple factors are behind the decline. Mexican families are smaller and their children are better educated; some Mexican states have launched campaigns to discourage youngsters from making the perilous journey north; and smugglers are commanding higher prices to get migrants through territory often controlled by drug gangs and

across a far more secure border than ever before.

In the U.S., an aging population, the physically demanding nature of many blue-collar jobs and the trend toward pursuing college degrees compound the labor shortage. At the same time, Congress has failed to reach a compromise policy on immigration to address employer needs for a steady, legal workforce.

On the ground in the U.S., many employers report the worker shortage is driving up wages, which is good news for low-skilled workers. It is also driving up costs, however, which could hamper investment and fuel inflation.

Evidence of the labor shortage is piling up. The combined restaurant and accommodations sector in May had 700,000 vacant positions, for a job-openings rate of 5.1%, the highest since 2001, according to the Bureau of Labor Statistics.

A survey last year by the Associated General Contractors of America found that 86% of construction firms were struggling to fill openings for carpenters, electricians and other trades.

In health care, the Labor Department expects demand for home aides to jump 40% in the next decade, the fastest of any occupation, as baby boomers age. Already, there is a caregiver crisis in states like Minnesota, which reports a surge in openings for the grueling work of bathing, dressing and feeding seniors.

Mr. Trump and many of his supporters argue there are still too many people entering the U.S. illegally. Alabama Sen. Jeff Sessions, a leader in the fight against illegal immigration and Mr. Trump’s pick for attorney general, believes the influx of foreign workers is “sapping the wages and job prospects” of Americans.

About six in 10 undocumented immigrants hold service, construction and production

jobs, twice the share of U.S.-born workers, according to Pew Research Center.

Employers say U.S.-born workers don't want those jobs.

Of the 85 roofers on King of Texas' payroll, two are African-Americans hired in the past year and three are Caucasians who have worked there more than 20 years, says Mr. Braddy. The rest are Hispanic, mainly from Mexico. Mr. Braddy says his human-resources office collects Social Security numbers and identification from each hire. He isn't expected to vouch for the authenticity of documents; in fact, he could be subjected to an investigation or a charge of discrimination by the federal Equal Opportunity Employment Commission if he questions the bona fides of an applicant based on national origin or race, immigration attorneys say.



Workers flatten a section of roofing by simultaneously jumping on it. PHOTO: MATTHEW BUSCH FOR THE WALL STREET JOURNAL

On a recent afternoon, eight Mexican workmen—their faces covered with cloth masks to shield them from the scorching sun—moved the length of a warehouse, crouching every few feet with their screw guns to secure the roof they were installing.

The eldest among them, 47-year-old Roman Martinez, became a legal U.S. resident when President Ronald Reagan granted amnesty to six million undocumented immigrants in 1986. But some others on his crew admit they lack *papeles*, or legal residency.

The most recent Caucasian roofer the company hired, in 2014, lasted four months on the job. Another failed a drug test. An African-American recently showed up to inquire about openings but didn't pursue a job opportunity, according to Mr. Braddy.

In 2015, the average wage for roofers was \$17.65 per hour, according to the BLS. Mr. Braddy says he has already raised wages twice this year, putting most of his workers above \$20 an hour.

The company is also boosting perks. It offers a management course for foremen, English classes and \$250 bonuses for referrals. At a recent monthly safety meeting, a project manager interrupted to make an appeal, translated into Spanish. "I'm here to remind you of our incentive program, in case you have friends or family with roofing experience," he said.

In the past, workers like Adrian Herrera of Zacatecas, Mexico, could quickly tap into their family network. But now, says the 32-year-old foreman on the Toyota project, "everyone here already has a job, and very few people are arriving from Mexico."

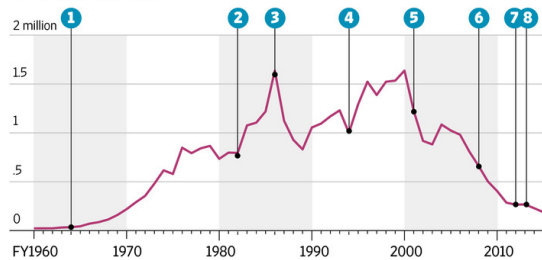
Mr. Braddy says he would like to see the new administration help solve the labor shortage. "Employers like me hope for some sort of work-visa program to give immigrants a means to work legally and come out of the shadows," he says. "That is going to help the economy."

Asked for comment, Mr. Trump's spokeswoman referred to his 10-point immigration

plan, which doesn't make any reference to a guest-worker program.

Round Trip

The number of Mexicans apprehended by the U.S. Border Patrol attempting to sneak into the country illegally has fallen to levels last seen in the 1970s.



- 1 1964**
The Bracero guest-worker program ends. Launched in 1942 by the U.S. and Mexico, it led to over four million labor contracts.
- 2 1982**
Mexico defaults on its debt, nationalizes its banks and imposes capital controls. Latin America suffers a "Lost Decade."
- 3 1986**
The U.S. Immigration Reform and Control Act establishes an amnesty program for undocumented foreigners.
- 4 1994**
The North American Free Trade Agreement takes effect. Amid political turbulence, Mexico devalues the peso in December, setting off the "Tequila Crisis."
- 5 2001**
Following the Sept. 11 terrorist attacks, the USA Patriot Act leads to stepped-up security along the southern border.
- 6 2008**
A deep recession generated by the U.S. financial crisis prompts hundreds of thousands of undocumented workers to return to Mexico.
- 7 2012**
Net migration flows from Mexico to the U.S. fall to zero, according to the Pew Hispanic Center.
- 8 2013**
The Obama administration deports more than 438,000 unauthorized immigrants in one fiscal year, setting a record.

Source: Department of Homeland Security and INS, CBP

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For the past 20 years, Mexican families have averaged just over two children, compared with nearly seven in the late 1960s. Smaller families limit the pool of potential migrants, and make it easier for families to care for their children and give them opportunities at home.

As Mexico's population slowly ages, a smaller share is composed of people ages 15 to 29, the prime demographic for migrating: 25% in 2014, compared with nearly 30% in 1990.

An estimated 100,000 Mexicans still cross the border annually. But many also return to Mexico. Such voluntary returns, coupled with a record three million deportations by the Obama administration since 2009, have shrunk the number of Mexican undocumented immigrants in the U.S. to 5.8 million in 2014, from 6.9 million in 2007, according to Pew.

One returnee was Juan Ek, a 26-year-old from the Yucatán Peninsula. The son of poor Mayan farmers, Mr. Ek says he sneaked into the U.S. in 2007 and rose from dishwasher to sous-chef at Tacolicious, the San Francisco taco joint. Mr. Ek returned to his village in the Yucatán in 2013 to reunite with relatives, including his ailing mother. He has since married and had two children, and ekes out an existence making guayabera shirts and tending to cattle and the family bee farm.

Mr. Ek says he thinks about returning from time to time, but that the risks of an illegal crossing are too high. "That's something that matters now that I have two children," he says.

Tacolicious founder Mr. Hargrave credits workers like Mr. Ek for his success. Tacolicious, which he started as a taco stall at the waterfront farmers market five years ago, is now a popular chain of five eateries in the Bay area. But he says workers like Mr. Ek are far harder to come by.

"Our industry can't survive without Mexican workers," Mr. Hargrave said during a recent lunch hour at a Tacolicious that drew an urbane crowd, many of them workers in the tech sector.

Mr. Hargrave says he tries to cultivate a friendly environment to contain turnover. Workers can take breaks to watch soccer matches; the radio in the kitchen blares *ranchera* music. He is organizing free English classes. Soon, he says, he plans to



Juan Ek, a former Tacolicious employee, returned home to Mexico in 2013 to take care of his ailing mother. PHOTO: SANTIAGO PÉREZ/THE WALL STREET JOURNAL

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introduce benefits like paternity leave and start a scholarship fund for the children of workers.

The restaurateur says he misses the days when all he had to do was tell a worker that he had a vacancy “and people would show up. It was that easy.” Now he is trying to hire a full-time recruiter.

The latest Tacolicious, which he opened Nov. 10 in San Jose, is half the size of the others. “I still want to grow my brand. But I have to shrink my footprint because I can’t find staff,” says Mr. Hargrave, who hopes to open a sixth restaurant in Oakland next year.

Giovanni Peri, a labor economist at the University of California, Davis, says a lack of immigrants for jobs like dishwashing can hit U.S. workers, too. “If you can’t hire a dishwasher, that slows down the growth of the restaurant, and then you won’t hire managers, who are usually American,” he says. “Immigrants create opportunities for American workers.”

Agriculture is especially hard-hit by labor shortages. About 70% of all field workers are undocumented, the overwhelming majority Mexican, according to estimates by the American Farm Bureau Federation. Those who have settled in the U.S. are getting older and exiting the workforce.

“We used to get people by word-of-mouth,” says Steve Johnson, a fourth-generation citrus grower in Wauchula, Fla., who has a business harvesting fruit for about 50 growers, primarily for the \$9 billion citrus industry.

Replacing the workers with machines isn’t an option, he says. During a recent inspection of his groves in western Florida, Mr. Johnson pointed to a mechanical harvester parked in a field, for which he paid \$75,000 four years ago to help address the labor shortage. He says the machine doesn’t distinguish between ripe and unripe fruit.

Picking oranges is hard work that pays about \$11 an hour. But Mr. Johnson contends that the problem isn’t the pay. Echoing a comment often made by farmers, he noted that the occasional American who shows up demands to be paid cash, off the books to keep collecting unemployment benefits.

The children of immigrant fieldworkers, like other Americans, also shun the work or have greater ambitions. Maria Consuelo Rodriguez, 58, and her husband worked two decades picking fruit, following the harvest from Florida to the Carolinas, Michigan, Virginia and Pennsylvania, their four children in tow.

“I would tell them, if you don’t go to school, you know where you’ll end up,” says Ms. Rodriguez, currently a supervisor at a clothing store in Wauchula. None of her children, now adults, toil in the fields.

To make up for the labor shortage, farmers across the country are increasingly turning to the H-2A agricultural temporary guest worker program. It allows them to bring in seasonal workers if they prove domestic labor isn't available to take the jobs, and they provide housing and transportation.

Last year, some 250,000 workers came to the U.S. on an H-2A, a 420% jump since 2006, the first year for which data is available. "It's not a tribute to the workability of the program. It's a tribute to the instability in the labor force," says Kristi Boswell, director of congressional relations at the American Farm Bureau Federation.

Farmers complain the program, which involves three federal agencies—the departments of Homeland Security, State and Labor—as well as state employment agencies, is bureaucratic, expensive and inefficient.

Workers often get stranded on the Mexican side of the border for several days waiting for interviews to secure visas while employer-paid transportation idles on the other side. In the fields, crops perish.

A survey last year by the bureau found that members in at least 22 states were hurt by administrative delays that caused a variety of crops to rot because workers failed to arrive on time.

"I appreciate wanting to control the flow" of immigrants, Mr. Johnson says. "But it's got to be done logically and smoothly."

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