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# SOCIAL IMPACT ASSESSMENT FOR THE PROPOSED SANDERSON FARMS PROCESSING PLANT

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This report was prepared to provide an assessment of the possible social impacts for Fayetteville and Cumberland County of the proposed Sanderson Farms chicken processing plant at Cedar Creek Business Park on four dimensions: potential impact on employment, potential impact on immigration, potential impact on the health care system, and potential impact on the crime rate.

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## INTRODUCTION

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In order to assess the multiple facets of impact that the proposed Sanderson Farms chicken processing plant would have on the Fayetteville and broader Cumberland County areas, the Economic Development Alliance of Fayetteville & Cumberland County commissioned this assessment to consider the social impacts of the project. This assessment considers four areas of potential community impact: 1) employment, 2) immigration, 3) pressure on the health care system, and 4) influence on the crime rate. I was asked to consider two recently open plants, which are thought to be comparable to the proposed Fayetteville plant in terms of plant technology: Kinston, North Carolina and Moultrie, Georgia.

The findings of this assessment are different than expected at the start. While the general poultry processing industry is fraught with many problems that have serious social consequences, Sanderson Farms has done well in mitigating these problems. In terms of employment problems, many poultry processors struggle with high turnover and keeping a stable workforce, but Sanderson Farms has had some ability to maintain a stable work force with 60% of its Kinston, North Carolina plant and 72% of its Moultrie, Georgia plant employees having worked for their respective plants for over one year. Sanderson Farms has experienced that after two years, employees generally stay with the company long term. In terms of immigration, illegal immigration has plagued the chicken processing industry, but Sanderson Farms has had only one verified immigration raid, which was conducted at the request of the company. In terms of the health care system, Sanderson Farms provides affordable health insurance, incentives for employees to participate in wellness programs. As a result they have a high participation rate for health insurance coverage for low-skilled, lower wage workers with 73% participation across the company. Additionally, the plant has an injury and illness incident rate slightly lower than the industry average. Finally, there is no evidence from crime data from the Moultrie that opening a plant will have any influence on the crime rate.

This report finds that in regards to employment and the health care system, the opening of the proposed chicken processing plant may actually create some positive social impacts on the community. The plant will create over 1,000 jobs that could benefit the most vulnerable economic population—low-skilled workers, the unemployed, and minimum wage workers. The jobs created at the plant provide this demographic with the opportunity to make, on average, just under \$12 an hour and to enjoy benefits such as affordable health insurance, matching 401k benefits, and participation in the Employee Stock Ownership Program. Additionally, the access to affordable health insurance through wellness plan participation could help employees from this vulnerable economic group to comply with the individual

mandate, which is the centerpiece of the Affordable Care Act going into effect in the 2015 tax season.

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## POTENTIAL IMPACT ON EMPLOYMENT

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Some extensive work has already been done to provide an assessment of how the proposed plant would impact employment in this area. This documentation includes the reports completed by Economic Modeling Specialists, International (EMSI), The Economic and Development Alliance of Fayetteville & Cumberland County (The Alliance), and the North Carolina Department of Commerce. The estimates from these reports are that the proposed chicken processing plant will have the following employment creation effect.

- According to EMSI, the estimated change in jobs for the Fayetteville area is 1,385 jobs (1,081 new jobs, 73 jobs created due to direct effects, 25 jobs created due to indirect effects, and 105 jobs added due to induced effects).
- These jobs could potentially be a boon to the area. The unemployment rate for Cumberland County was 7.2% for both September and October of 2014, and the 2013 annual unemployment rate was 9.0%, according to the North Carolina Department of Commerce. In 2013 only 32 jobs were reported as created in the county. As of September, 107 jobs had been created throughout 2014. (<http://accessnc.commerce.state.nc.us/docs/countyProfile/NC/37051.pdf>; [https://www.ncesc1.com/pmi/rates/PressReleases/County/NR\\_September2014\\_CountyRate\\_M.pdf](https://www.ncesc1.com/pmi/rates/PressReleases/County/NR_September2014_CountyRate_M.pdf)). The proposed creation of 1,385 would be a dramatic improvement over the incremental improvements made over the past two years.
- According to the Community Impact Analysis Report provided by the Alliance, the expected average hourly wage per employee is \$11.87, which would be a yearly wage earning of \$24,689.

Several concerns have been raised in regard to possible employment trends surrounding the plant. The first of these concerns is that the jobs created are only low paying, unskilled labor positions. Second, there is concern that jobs will not employ local residents. Third, there is a concern that the potential jobs from the plant will not create stable employment opportunities due to assumed high turn-over in the industry. A secondary argument has been made that individuals may relocate to the area, quit after working at the plant for a short period of time, stay in the area, and leave Fayetteville with a higher unemployment rate. This report will address each of these concerns in turn.

### **Pay and skill of jobs**

Many of the jobs that would be created by the proposed Sanderson Farms poultry processing plant would be for low-skill workers. This in and of itself is not a reason to reject the proposal. A healthy local economy must provide diverse opportunities for both low-skill as well as high-skill workers; those who are uneducated—having only high school education or lower—should have work opportunities as well as having work opportunities for those who are educated beyond the high school level. Albrecht and Vroman (2002) hypothesize that the available labor force is what drives the types of jobs found in an employment market; there has to be a match between the skill of workers in an area and the types of jobs

that are available. They note, “low-skill workers can only do low-skill jobs, while high-skill workers can do both low- and high-skill jobs” (pg. 303). They do note that when employment markets increase the skills differential between workers that wages may increase for high skill workers while decrease for low skill workers. These types of considerations have more to do with skills training available in the area than the question of whether to provide low skill jobs in the Fayetteville market. Additionally, the education differential, and theoretically the skills gap, in Fayetteville seems to be relatively flat if education can be used as a proxy for skills.

According to the 2013 Cumberland County Community Health Assessment, 10% of the population had a GED or less than a high school diploma ([http://www.co.cumberland.nc.us/health/downloads/Community\\_Health\\_Assessment-2013.pdf](http://www.co.cumberland.nc.us/health/downloads/Community_Health_Assessment-2013.pdf)). According to this same report, only 20.8% of Cumberland County residents possess a bachelor’s degree or higher. The rest of the population had at least a high school diploma and may have had some training culminating in less than a bachelor’s degree. While the county would certainly desire to have more jobs for higher skilled and educated workers, this plant would provide opportunities for others, and on average well over the minimum wage at \$11.87 per hour, for the significant portion of the population that are low-skill.

Additionally, the average yearly wage projected for the Sanderson Farms processing facility is in line with the average median per capita income (across 2008 to 2012) in Cumberland County according to the U.S. Census Bureau, which was valued at \$23,133 (<http://quickfacts.census.gov/qfd/states/37/37051.html>). While the projected median wage at the Sanderson Farms facility would not increase income levels in the area, they would be competitive for the median worker in Fayetteville. Assuming that many households include dual wage earners, the resulting median wage is also in line with the median household earnings of \$45,413 (averaged across 2008-2012 figures).

This wage structure could possibly provide gains in economic outlook for some workers in the area who may be willing to take on this difficult work to enhance their own fortunes. This would be true for the 4.2% of the county population that earn under \$20,000 a year, according to the 2013 Community Health Assessment. Remember that this discussion centers on median wages at the proposed plant. There are also potential economic gains for those at the lower end of the 11.5% of the county population, who make between \$20,000 and \$30,000, for jobs that may pay more than the median at the plant.

Perhaps a more appropriate measure for the potential impacts on the unemployment rate is to assess the potential effects of the plant on welfare recipients. Stoll, Holzer, and Ihlanfeldt (2000) have argued that the accessibility of low skilled work for low skilled workers helps to alleviate dependence on welfare systems, but that lack of nearby work for low skill individuals tends to increase welfare usage. (See also Blumenberg and Ong 1998; Mead 1989). The jobs provided by Sanderson Farms could provide this opportunity for those currently dependent on social services or without a job. According to the Department of Social Services of Cumberland County (DSS), as of November 2014 the department reported real need for individuals in the county. In one measure of need, DSS had 35,900 food stamp cases (combined ongoing and new applications) (Jackson 2014). That is a roughly 11% of the Cumberland County population on Food Stamp assistance given the U.S. Census Bureau’s projected 2014 population for the county. While this plant will not solve poverty in Cumberland County, it will allow our residents who have the greatest economic struggles an opportunity to work, potentially providing a better life for themselves with wages over the minimum wage. Additionally, because the plant does not hire part time

workers, there is no risk of having any of the new employment creating under-employed workers.

The first step is having opportunities in the area. The second consideration to meet the needs for job stability of low skilled workers is transportation. While consideration of any planned availability of bus routes and other transportation services is beyond the scope of this assessment, a key to maintaining opportunity and job stability for low income residents would be to be sure that the plant was accessible by the FAST bus system. The current route ends at the transfer station on Cedar Creek Road. A core recommendation to support successful employment stability of low skilled workers is to be sure bus service is extended to the plant and to be sure that bus schedules allow workers to reasonably arrive and depart the plant during regular shift changes.

**Employment of Cumberland County residents**

A key benefit for locating the new plant on the outskirts of Fayetteville is the priority of employing Cumberland County residents; the county benefit is derived from increased employment of county residents as opposed to providing an opportunity for out of county residents in the Sandhills region. While there is no certainty in any endeavor, Sanderson Farms has provided current demographic data for its plants in Kinston and Moultrie. The Kinston plant is located in Lenoir County, North Carolina and 41% of the plant’s work force is sourced from Lenoir County. It is a small county with a population of only 58,914 residents. Thirty-three percent of the factory workforce is sourced from neighboring counties with much higher overall populations with 21% of employees residing in Pitt County and 12% residing in Wayne County. (See Table 1.) A similar trend is seen in the Moultrie, Georgia plant with 55% of the work force coming from the county in which the plant is located. This trend shows good prospects for Cumberland County providing the majority of plant employees with its larger county population and clear need for employment opportunities for low skilled workers (see above section).

**Table 1. Employee residence by county**

<b>Kinston, NC plant</b>				<b>Moultrie, GA plant</b>			
<b>in Lenoir County</b>				<b>in Colquitt County</b>			
County of Residence	County Pop.	Number	Percent	County of Residence	County Pop.	Number	Percent
Lenoir	58,914	600	41%	Colquitt	46,275	792	55%
Pitt	174,263	307	21%	Mitchell	23,045	218	15%
Wayne	124,583	178	12%	Dougherty	92,969	156	11%
Wilson	81,667	100	7%	Others	N/A	284	19%
Greene	21,232	78	5%	Combined			
Craven	104,489	69	4.7%				
Others	N/A	121	8%				
Combine							

Source: Sanderson Farms Employee Info Sheet. Provided by The Alliance for Economic Development and Sanderson Farms.

In evaluating the social impacts for the proposed plant, Pic Billingsley, the Director of Development and Engineering for Sanderson Farms, and Jennifer Buster, the Manager of Human Resources for Sanderson Farms, were interviewed. A core area of discussion regarded what hiring practices Sanderson Farms has in place to facilitate local, in-county employment. The strategy for trying to draw the workforce from the local and county area

is a threefold effort. First, Sanderson Farms requires recruits to come from a local employment office or from a job fair held in the area with Sanderson Farms participation. Sanderson Farms finds that working with local employment agencies helps to make sure the work force is both locally sourced and also has helped to control the quality of employee hired, which in turn has aided in creating less turnover and a more stable workforce. Second, Sanderson Farms does not utilize any contract labor. Contract labor companies often will source labor outside of the local area in order to fill positions quickly. Sanderson Farms does not engage in such practices. According to Mr. Billingsley, all Sanderson Farms employees are full-time, direct employees. Third, Sanderson Farms has started to implement a policy against taking direct solicitation for employment and not allowing inside solicitation for employment<sup>1</sup>. While other plants may have allowed inside referrals for employment in the past, the Kinston, NC plant has only operated under this newer employment policy. They do not provide any incentives for employees to refer friends or family for employment at Sanderson Farms. This is a significant deterrent for potential networks of illegal immigrant labor to form in the community since inside referrals are the primary way that immigrant labor is expanded and entrenched in both a factory as well as in the broader community (Griffith 2005; Kandel and Parrado 2005; Zuniga and Hernandez-Leon 2005). (For more on the question of illegal immigration, see below.)

This provides evidence that Sanderson Farms is committed to local employment. I am confident that this commitment will be continued for the Fayetteville plant. While highly unlikely that 100% of plant employment will be sourced from Cumberland County, a reasonable expectation is to have a majority of the labor force drawn from the county. Even if only 30% of the 1,385 expected jobs are filled by Cumberland County residents that is 415 new jobs, which is much higher than the job creation rates for the last two years (see above section).

### **The stability of poultry processing plant employment**

In his discussion of poultry processing and immigration, Griffith (2005) notes it is a, “hazardous, high-turnover occupation, generally with cores of long-time workers supplemented by several groups of workers more or less attached to the work. With these plants, some positions are higher turnover than others” (pg. 63). The highest turnover positions are the “live-hang” or receiving area positions due to the difficult working conditions (Griffith 2005: pg. 63). These conditions include low light and cold conditions needed to keep chickens calm. Additionally, evidence has been found in both Iowa and North Carolina that many workers in poultry processing treat it like seasonal employment. Due to the demanding nature of the work, employees will work for stretches and then quit to “take breaks” sometimes working other jobs and sometimes not, before coming back to work at the poultry processing plant (Griffith 2005). While some worry that this will create job instability in the area, oftentimes the same workers who have quit in the past will return to their jobs after periods of rest. This means that the employment patterns are more complicated than are often understood by both local government seeking to expand opportunities but also by those who may be detractors.

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<sup>1</sup> Plants older than the Kinston, NC plant have had some inside referral for employment in the past. The policy has not been uniformly applied at this time. The Kinston, NC plant is currently operating under this human resources policy.

Sanderson Farms is aware of such instability of the workforce. A good measure of stability for the plant workforce is the turnover rate<sup>2</sup> for plant employees. In a 2005 report, the Government Accountability Office said that determining an average turnover rate for the poultry industry was difficult, but that plants having a turnover rate of over 100 percent were common. One plant they looked at had a turnover rate of over 200 percent in one year. (GAO 2005) Sanderson Farms has some inconsistency on this front, but in the two plants analyzed for this report Sanderson Farms plants have been more stable than these commonly seen numbers. The Moultrie plant had strong worker retention last year with a turnover rate of only 52%. The Kinston plant has not done as well, but has maintained the commonly reported industry trend, with a turnover rate of 125% last year (Billingsley and Buster 2014). The turnover rate should be read with some caution. First, one segment of the plant can easily inflate the turnover rate measurement. Sanderson Farms can track a significant portion of the turnover rate in both plants to second shift positions, which are in less desirable because they are in the evening. Additionally, the highest turnover positions are in one segment of the second shift—the deboning department, which requires employees to stand and process hard and tedious work. In order to help enhance retention of employees, Sanderson Farms rotates employees through various jobs in the department. Over time, this helps with stability and lowering the turnover rate, as can be seen in Moultrie, which is an older more established plant. Since the Kinston plant is fairly new and only opened in 2011 and has already had additional line added, finding and developing employment stability is a work in progress.

Sanderson Farms actively discourages cyclical employment and treating processing as temporary employment by encouraging workers to maintain their jobs for the long term. To disincentivize cyclical employment and to make sure workers are certain about quitting employment with Sanderson Farms, the company has a strict one year wait period before rehiring employees who have quit. To try to encourage long term workers at the plant, the company has committed to providing good wages and benefits for low skilled labor (well above minimum wage) and good working conditions for the industry. One incentive is their Employee Stock Ownership Plan, which is given at no cost to the employee but allows employees to become increasingly vested through long term employment with Sanderson Farms. They also find that hiring from the local labor market helps to enhance stability of the workforce and decrease turnover. (Billingsley and Buster 2014). According to Mr. Billingsley, the highest pressure effecting turnover is shift times. Employees who are hired on the night shift often seek to move into earlier work schedules during “normal” working hours. This pressure is not unique to chicken processing, but to any business with late night shifts.

### **Potential of unintended consequence of higher unemployment**

This argument presented by the No Chicken Plant group assumes that Sanderson Farms will not be able to draw a willing employment force from the Cumberland County area and will struggle with staffing (see subsection 2 and 3 of this section). This will cause the plant to draw on out of county, rural labor or immigrant labor, which in turn will cause people to re-locate to the Fayetteville area. Due to the rigorous nature of the work and the assumed high turn-over, some argue that Fayetteville will end up with a higher unemployment rate as

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<sup>2</sup> Turnover rate is calculated as the number of employees who left the plant during the year divided by the number of employees.

a result of this movement. The conjecture in this regard should be separated in to two sections: 1) the flow of rural labor and 2) the possibility of immigrant labor.

#### The flow of rural labor

This concern is addressed above, but I will address the concern directly here. While more than likely at least some of the jobs created will be filled by out of county residents, this is not a reason to vote against the plant. In the evidence that the No Chicken Plant advocates provide, they note that at Sanderson Farms plants in Texas as much as 50% of the plant is bussed to the plant using public transportation. As noted above, at even 30% county employment, there is a significant boost to the levels of job creation for the county. Additionally, much of the secondary county employment would be a reasonable driving distance to the plant, which would decrease the likelihood of having this multi-step scenario play out. While the county should expect that at least some of the jobs at the plant could easily be filled by residents of Robeson, Hoke, Bladen, or Sampson County, there is no evidence that this will create higher unemployment in Cumberland County or even have a significant draw of new residents from other counties as a result of the plant opening. As seen from Table 1 above, employees continue to maintain residence across several counties despite working at the plant.

#### The possibility of immigrant labor

This claim rests on a long causal chain that is difficult to follow at best. Much of the probability of this argument rests on considerations regarding immigration found in the next section. Additionally, when legal immigrant labor is employed in jobs such as poultry processing, labor tends to be more stable due to the dependence of immigration status resting on employment. While this can lead to exploitive labor practices, it does mean that any legal immigration is less likely to lead to increased unemployment in the native population (Griffith 2005). When employment is terminated in this population, it tends to be because employers have fired immigrant employees. Of course, there is always the very real possibility that when immigrant employees are terminated, that they do not return to their country of origin, but rather overstay (Griffith 2005), but this hypothetical scenario is moot. According to Mr. Billingsley, Sanderson Farms does not utilize any immigrant labor through programs like the H1 or H2 visa programs, which allow employers to bring workers to the U.S. temporarily to work (Billingsley and Buster 2014). (See below for more detailed analysis on potential immigration effects.)

Overall, the location of the Sanderson Farms chicken processing plant will provide economic enhancement for the city and county. It will provide much needed jobs for the significant low skill and economically vulnerable populations in Fayetteville and Cumberland County. During the course of my research on this area of social impact, core concerns include not only skill levels of the labor force, but also transportation and accessibility. Maximizing job success for low skill and low wage employment has been found to be partially dependent on having reliable, accessible, and dependable transportation to work. This includes the proximity of workers to job sites that facilitate walking, public transportation availability and proximity of bus stops to home and work sites, vehicle ownership, or other access to transportation. (Stoll, Holzer, and Ihlanfeldt 2000).



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## POTENTIAL IMPACT ON IMMIGRATION

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The relationship between agricultural and food processing work and illegal immigration is well documented. Because of this widely known relationship, many assume that illegal immigration is inevitable for agricultural support industries such as food processing. This section will discuss the generalized patterns that have been documented by social scientists and then evaluate the potential impact of the proposed Sanderson Farms processing plant on immigration trends in the Cumberland County area given the policies of Sanderson Farms.

### **General trends in the poultry processing industry**

Illegal and legal patterns of immigration changed significantly during the 1990s and first part of the 21<sup>st</sup> century. Before this period, much of the legal and illegal immigration between the U.S. and Mexico was concentrated at the border. During the 1990s, immigration patterns shifted to more interior states (Zuniga and Hernandez-Leon 2005; Durand, Massey, and Capoferro 2005; Kandel and Parrado 2005). By the 2000 census, North Carolina ranked 8<sup>th</sup> in the number of Mexican immigrants across all states (Zuniga and Hernandez-Leon 2005). Immigration flows to North Carolina started slightly earlier with a draw of immigrants in the 1980s to seasonal work in agriculture as well as to work in food processing (Griffith 2005: p. 53, Kandel and Parrado 2005). Additionally, 6.8 % of Mexican immigration to non-gateway states came to North Carolina (Durand, Massey, and Capoferro 2005). A core reason for this shift in immigration patterns has been the shift from seeking seasonal, temporary agricultural employment, “into other areas where employment is less seasonal and more secure, such as food processing, construction, light manufacturing, and fast food” (Griffith 2005: p. 53). Through the 1990s the number of Hispanic immigrants, particularly illegal immigrants, hired into poultry processing plants in North Carolina expanded (Griffith 2005: pg. 56). Despite this expansion, African Americans and women continue to hold significant numbers of labor force participation in poultry processing in North Carolina (Griffith 2005).

### **Potential impact specific to Sanderson Farms**

Despite what happens broadly in terms of the relationship between poultry processing and immigrant labor generally, time should be taken to evaluate the potential for such issues in regards to Sanderson Farms specifically. An initial cause for concern was that Sanderson Farm’s Moultrie, GA plant was the subject of an immigration raid in 2008.

Subsequent to that raid, Sanderson Farms was the defendant of a law suit in 2012, in which two former employees filed a class-action, RICO (Racketeer Influenced and Corrupt Organizations Act) lawsuit against the company due to alleged employment practices in its Moultrie, Georgia plant (Sanderson Farms 2013; Wenk 2012). The plaintiffs claimed that Sanderson Farms knowingly hired illegal immigrant, which they alleged created harm for other employees by depressing wages at the plant. According to the company’s 2013 SEC filing statement, the case was dismissed in district court, but this decision was appealed to the 11<sup>th</sup> Circuit Court of Appeals (Sanderson Farms 2013). The Court of Appeals sided with Sanderson Farms and dismissed the case all together (Farr and Cave 2014; Billingsley and Buster 2014). The lawsuit was ultimately dismissed because the plaintiffs failed to sufficiently plead that the company had knowingly hired illegal immigrants (so the fraud was thus unintentional). Additionally, the plaintiffs failed to prove that any fraud or misuse of

visas had caused the injury or harm alleged in the lawsuit. As Farr and Cave (2014) recount the history of the case, they highlight that the core element in dismissing the case was that there was no harm to employee wages, which were found to have risen during this period rather than being stagnant.

In interviewing Mr. Billingsley and Ms. Buster, a primary discussion point was the 2008 raid on the Moultrie plant and the 2012 lawsuit. The commitment of Sanderson Farms to avoiding employment of illegal immigrants was crystalized in this conversation. In Mr. Billingsley's recounting of the 2008 raid, he disclosed that Sanderson Farms had contacted Immigration and Custom Enforcement (ICE) to come and investigate the plant. Sanderson Farms requested help with assessing suspicious work status documentation. According to Mr. Billingsley, instead of firing these employees, ICE asked for the company's cooperation in allowing an undercover operation to uncover the source of the document fraud to be followed by a sting operation at the plant. Sanderson Farms complied with the request.<sup>3</sup>

After the 2008 immigration raid, Sanderson Farms has worked with ICE on two projects. First was to have advanced training for the company on identifying fraudulent immigration documentation. The company has had better training on using the E-verify system. While E-verify has been a useful tool provided by the United States Immigration and Customs Service to help employers to comply with immigration law, there has been extensive documentation that while E-verify has helped identify higher numbers of unauthorized workers, it is not fool-proof (USCIS 2012). After the 2008 incident, Sanderson Farms has developed a third step to their hiring process to help ensure that all employees are citizens or have legal status in the U.S. They have developed their own in-house, proprietary system for screening employees to ensure that the company is complying with U.S. immigration law. As a result candidates for employment must pass a three step vetting process: 1) background check and drug test<sup>4</sup>, 2) E-verify confirmation, and 3) passage through the Sanderson Farms proprietary system. While there is always a chance that an illegal candidate could get through the system, Sanderson Farms seems to do their due diligence to make sure all employees can legally work in the U.S.

I would encourage the Council and the Commission to be very careful in evaluating the claims of outside groups in regard to the immigration status of employees. While illegal immigration is a well-documented issue, just looking at the ethnic composition of a workplace says little about the status of employees, and at its heart is exceedingly discriminatory behavior. Hispanic-Americans are the fastest growing demographic of American citizens. Overall, the expectation of population growth in Cumberland County due to immigration caused by the Sanderson Farms plant opening is moderate to low. For instance, according to U.S. Census data the population in Moultrie, Georgia grew less than 1% between 2000 and 2010. The Georgia plant opened in 2005. There has not been a surge in immigration. Other locations are more difficult to assess such effects given the length of time Sanderson Farms has had a plant located in the area or because the towns have many

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<sup>3</sup> A Freedom of Information Act request is pending with Immigration and Customs Enforcement to verify this story. The expected date for fulfillment of the request is listed as late December, which is after the report deadline.

<sup>4</sup> The background checks are a new requirement. Currently this requirement has only been implemented at the Kinston, NC plant since its opening. Sanderson Farms is planning to continue implementation of the background check requirement at its Fayetteville plants. They do require drug screening at all their plants.

other factors that could drive population growth (such as the universities located in Waco, TX or Bryan-College Station, TX).

### **Related areas of potentially effected by immigration**

An additional area of concern by outside groups has been how potential immigration may affect the Cumberland County schools and services. Of course, any potential affect is contingent on actual immigration. Sanderson Farm seems to have a system in place that is effective in drawing employment locally. If Sanderson Farms provides commitments to local employment that are enforceable by the county and city government, much of this speculation would be moot.

The effect on Cumberland County schools would be contingent on the type of immigration that occurs in the area. For instance, Griffith finds that legal immigration in North Carolina that occurs through the H-2 program does not result in large growth in the number of families and children in the area, but rather draws single immigrant men and women into the area for the duration of their work permit. On the other hand, other forms of legal immigration as well as illegal immigration can have big effects on schools and other community social services since oftentimes immigrants become embedded in the community, have families, and utilize services. This typically does require the education community to develop resources to help such students such as expanding English as a Second Language (ESL) programs. This second scenario yields the demand and creation of other services including, “transportation and communication services (including wire money transfers), Spanish-speaking media, translation services, churches, bilingual education, native entertainment and cuisine, and childcare” (Griffith 2005: p. 58).

The evaluation of this report is that immigration risk is low to moderate, and that school impacts are not something the county needs to prepare for as a result of the plant opening.

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## **POTENTIAL IMPACT ON THE HEALTH CARE SYSTEM**

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In order to evaluate any potential impacts on the health care system, a measure of the state of the current health care system in Cumberland County is needed. In North Carolina, the 2013 reported health insurance coverage was 42% of residents received their health coverage from employer based plans. Overall 16 % of the North Carolina population was uninsured. (Henry J. Kaiser Family Foundation 2014) In Cumberland County the percentage of residents (including children) without health insurance was 20.7%. The rate of adults in Cumberland County without health insurance was slightly higher at 25.3%. (Cumberland County Department of Public Health 2012). According to a Blue Cross Blue Shield<sup>5</sup> provider database search, as of November 2014 Fayetteville area had over 370 physicians or clinics accepting new patients in pediatrics, family medicine, general medicine, or internal medicine. This estimate does not include established practices that are not currently accepting new patients or urgent care clinics.

Fears that the new plant will be a burden really is based on four possible scenarios. First, some worry that there will be public health effects from the plant. Second, a main concern about strain on the health system is based upon the assumption that there will be a flood of

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<sup>5</sup> Blue Cross Blue Shield is the health insurance provider for Sanderson Farms.

immigrants into the Fayetteville area to fill jobs offered by the plant. Third, some worry that workers from the plant will be uninsured. A large number of uninsured workers can be a strain on health systems due to public health risks and costs of non-payment to health providers. Finally, some worry that the dangerous nature of the work for chicken processing will lead to chronic health problems for employees that will strain the health system.

The first concern is beyond the scope of this assessment. For an evaluation of potential health concerns for the community, please consult the environmental impact assessment. The second concern is addressed above in the immigration section. As discussed above, the risk of a surge of immigration to Fayetteville as a result of opening the plant is low to moderate.

### **Potential strain from uninsured workers is not a risk**

The concern regarding uninsured workers does not have support when considering the broader trends at Sanderson Farms. First, Sanderson Farms offers two different levels of health insurance coverage through Blue Cross Blue Shield to employees—a high option and a low option. The health insurance coverage offered is the same for all employees—from plant workers to executives. The company has excellent participation in the health plan. According to Sanderson Farms as of September 2014, 73% of all employees participated in one of the insurance plans. The participation rate for the Kinston plant was much lower at 62%. Sanderson Farms reports that the most likely employees to refuse insurance are first time, first job workers, who tend to be young and do not understand the importance of having health insurance. This trend is common across the U.S. population (Henry J. Kaiser Family Foundation 2014). Sanderson Farms has found that after employees become more established, they tend to see the advantages of health coverage and will subsequently elect to join one of the health insurance plans. (Billingsley and Buster 2014) This has also been the case nationally (Henry J. Kaiser Family Foundation 2014). Participation rates may increase as the uninsured begin to experience the penalties assessed for non-coverage as the individual mandate of the Affordable Health Care Act is implemented during the coming tax season.

The health insurance coverage includes a fairly robust plan and is comparable to the typical plans provided by Blue Cross Blue Shield. In the high option, employees are only responsible for 25% of health care premiums for themselves and their families. In the low option, the employees are responsible for 40% of health care premiums. If employees participate in health fairs, maintain good health with meeting targets for BMI, glucose levels, and other health indicators, and are tobacco free, out of pocket weekly premiums are significantly reduced (see Table 2 for premium costs for hourly workers, which are the bulk of those who will be working at the proposed processing plant). In addition to medical, the insurance plan includes other benefits including a pharmacy benefit, free tobacco cessation program, weight management program, a walk to run program, and beginning in 2015 gym membership reimbursement of up to \$15.00 per month.

**Table 2- Health Insurance Plan Premiums for Hourly Workers**

Health Plan	Standard Premium	With Both Wellness and Non-Tobacco Discounts
	Hourly (weekly)	Hourly (weekly)
High Option-Single	\$41.33	\$26.34
High Option- Family	\$74.98	\$59.99
Low Option-Single	\$26.73	\$16.81
Low Option-Family	\$43.64	\$33.72

Source: Jennifer Buster, Sanderson Farms Employment Benefits 2014

Sanderson Farms has sought to encourage participation in both their health insurance program and good participation in their wellness fairs and other healthy activities to help keep health costs low. During the 2014 coverage year, participation in health and wellness programs was high and helped to contain costs, Sanderson Farms gave a one month health care insurance holiday for employees during the month of October. (Billingsley and Buster 2014) Such awareness raising activities and high levels of insurance program participation, if they hold for Fayetteville, will have positive effects for employees.

Depending on participation rates in health insurance and health programs, Sanderson Farms may actually provide some alleviation to potential strains on the health system. The affordability of the insurance and positive health incentives could be a lifeline for some citizens who may be coming from jobs that did not offer health insurance or health insurance was unaffordable. These are important considerations given that North Carolina has chosen to decline expanding Medicaid under the Affordable Care Act. Because of the individual mandate, citizens will be required to have health insurance or pay a tax penalty, starting with the 2015 tax season. This is one area that Sanderson Farms could have a positive impact for our community, at least for those who are ultimately employed by the prospective processing plant. Fayetteville should continue to pursue economic development from companies who seek to maximize participation in their health plans, rather than the very disappointing trend of some employers seeking to cut workers to part time work to avoid the health insurance requirements of the Affordable Health Care Act.

### **Injury and incident rates for chicken processing**

The final area of concern for the health system deals with the work conditions of chicken processing generally. There are well documented hazards to working in a chicken processing plant. Some of these hazards include respiratory problems from dust and feathers during the live-hang process, potentially slippery floors, and sharp equipment such as knives and scissors needed for the job. Other health concerns of employees are common place in both office and manufacturing jobs that require repetitive motions, including carpal tunnel syndrome and repetitive motion sickness. (Griffith 2005: pg. 63)

Sanderson Farms has recognized these hazards and has sought to mitigate these problems through several actions. First, health care professionals are hired as part of the staff for the plant. While workers are welcome to see their regular doctor for any injury or illness, the plant health workers are able to act as a first response. They are able to provide initial care if an employee gets sick at work. Second, the company has sought to alleviate injury and illness through its commitment to a wellness program with high participation rates (see above). (Billingsley and Buster 2014)

Sanderson Farms, as many companies in this industry, does not have a perfect safety record. It has done fairly well over the course of the last few years. Data on the industry through 2010 is readily available through the Department of Labor Statistics website. Two ways to evaluate the hazards of Sanderson Farms is to consider 1) injury/illness incident rates calculated by OSHA and 2) violation rates for inspections conducted by OSHA. Overall, Sanderson Farms scores slightly better than the national average for employee injury and illness incident rates<sup>6</sup>. Because of reported errors in data reporting and calculation, the most recent national average for accident and injury rates for poultry processing plants is from 2010. During 2010, the average poultry processing plant injury and illness incident rate was 5.9 incidents. During 2014, Sanderson Farms has had an average injury and illness incident rate of slightly less, at 5.5 incidents. These rates report all injuries and illnesses, including nonfatal injuries such as back strain or carpal tunnel syndrome. When considering the thousands of employees and thousands of hours worked each year, the injury and illness rate for Sanderson Farms is fairly low (see footnote two).

Out of 36 different OSHA inspections conducted since 2010, only four have yielded violations of OSHA standards: one inspection in 2010 yielded one violation; one inspection in 2011 yielded two violations; and two inspections in 2014 yielded five violations and four violations, respectively<sup>7</sup>. Sanderson Farms has only had one accident investigation by OSHA since 2010, which yielded no violations. The accident investigation was conducted after a Sanderson Farms semi-truck was struck by a train, resulting in the death of the driver (OSHA 2014). The majority of these inspections were driven by employee complaints to OSHA, with 23 inspections being the result of complaints. Only the violations from 2010 and 2011 were based on employee complaints. The other 21 inspections due to employee complaints found no violations by Sanderson Farms. The high violation inspections of 2014 were from two of the 10 planned inspections the company underwent over the course of the last four years. These violations occurred at inspections of the plants in Bryan, TX and Laurel, MS. Both plants are among the older plants operated by Sanderson Farms, both last renovated in 1999. There have been no violations resulting from inspections of Sanderson Farms newer or recently renovated plants.

As a result of the above analysis, I find that Sanderson Farms does not pose a risk to the health care system in Cumberland County. The work at a chicken processing plant is undeniably hard, dangerous, and physically taxing. The incident of injury and illness is slightly better than industry averages according to OSHA. In addition, the company keeps health professionals on staff to act as a first response for illness and injury inside the factory. Such efforts will help to alleviate any potential pressure on the health care system. Even more, the provision of comprehensive and moderately priced health insurance for employees and other health and wellness programs may actually help to alleviate pressure on the health system. One of the reasons that the Affordable Health Care Act was passed was to find

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<sup>6</sup> “The incidence rate of injuries and illnesses is computed from the following formula: (Number of injuries and illnesses X 200,000) / Employee hours worked = Incidence rate” (OSHA 2014).

<sup>7</sup> For details on the nature of these violations, see each on OSHA’s list of inspections for Sanderson Farms, found at [https://www.osha.gov/pls/imis/establishment.search?establishment=Sanderson%20Farms&state=all&officetype=all&office=all&startmonth=11&startday=28&startyear=2009&endmonth=11&endday=28&endyear=2014&p\\_case=all&p\\_violations\\_exist=both&p\\_start=&p\\_finish=20&p\\_sort=12&p\\_desc=DESC&p\\_direction=Next&p\\_show=20](https://www.osha.gov/pls/imis/establishment.search?establishment=Sanderson%20Farms&state=all&officetype=all&office=all&startmonth=11&startday=28&startyear=2009&endmonth=11&endday=28&endyear=2014&p_case=all&p_violations_exist=both&p_start=&p_finish=20&p_sort=12&p_desc=DESC&p_direction=Next&p_show=20)

ways to make sure that the young and the low income were covered by health insurance. The participation rates by the company are a fairly good. Having residents covered by health insurance lowers risks on the health system since individuals are more likely to utilize preventive care, which minimizes public health risks. Additionally, insurance coverage means there is less risk of non-payment for doctors, clinics, and other health care providers.

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**POTENTIAL IMPACT CRIME RATE**

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Unfortunately, there has been a trend in the U.S. to criminalize poverty. This movement is underscored by a stereotype that low income individuals automatically bring crime with them. Such assumptions oftentimes drive the claim that a business that employ unskilled or lower wage workers will automatically increase crime in an area. While there are some links between poverty and crime, such claims are oftentimes not based on thoughtful analysis of variables that account for such a link. For instance, Hsieh and Pugh (1993) found that in the 1970s and 1980s, a strong link was found between poverty and crime with poverty being more closely associated with homicides and assaults than with rape and robbery. Additionally, it is hard to make a causal link between locating Sanderson Farms into an area and increasing crime rates. For one, Sanderson Farms may actually help to alleviate the level of poverty experienced by an individual. Second, while the link between crime and poverty has been established, it is not the only factor that influences crime rates in an area.

Data to help evaluate the claim that the processing plant will lead to higher crime rates is difficult to ascertain. Requests of the Kinston and Moultrie police departments for crime data near the geographic location of the plant for the six year time span surrounding each plant's respective opening have not been filled. One way to analyze the potential impact on the crime rate is to utilize county-wide crime data provided by the United States Census Bureau. Crime data is available for every U.S. county from 1981 to 2008. This data set excludes consideration of the Kinston plant, since it opened in 2011, but a consideration of the Moultrie plant is possible. The Moultrie plant opened in 2005. Table 3 provides the number of crimes known to police for six different categories of crimes.

**Table 3. Crimes Known to Police in Colquitt County, GA from 2003-2008**

	Violent Crime	Murder and Non-negligent Manslaughter	Forced Rape	Robberies	Assault and Battery	Property Crimes
2003	272	5	13	58	196	2,298
2004	241	10	15	60	156	2,311
2005	266	5	11	75	175	2,272
2006	212	3	15	70	124	1,661
2007	155	6	9	58	82	1,353
2008	135	1	6	58	72	1,128

Source: United States Census Bureau

While no causal link can be drawn between this data and the opening of the Sanderson Farms plant in Moultrie, it can be used to help refute the claim that the processing plant will increase crime in Cumberland County. During the period after the Moultrie plant opened in

2005, the general trend is that crime rates fell across the county. Across all categories, the mean number of crimes committed is less than the mean number of crimes before the plant opened.

Additionally, Sanderson Farms employs hiring practices to mitigate crime risks for their plants and the surrounding community. At the most basic level, all employees must pass a drug screening. While Sanderson Farms does not conduct random drug testing for employees, they do reserve the right to require employees to pass a drug test if there is ever suspicion of drug usage by employees. Starting with its Kinston, NC plant, Sanderson Farms has started to add background checks to its hiring protocol. The proposed plant in Fayetteville would also require passing a background check as a criterion for employment. This practice should also help mitigate crime risks. (Billingsley and Buster 2014)

Because the causality of the increased crime argument is weak coupled with some anecdotal evidence to the contrary, I believe the risk of the processing plant to increase crime in the area to be non-existent to low.

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## CONCLUSION

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This report assesses the social impacts that the plant may have across the community in regards to four components to the community: employment effects, immigration effects, health care system effects, and crime rate effects. This assessment has focused upon county-wide social impacts of potentially opening the Sanderson Farms chicken processing plant in the Cedar Creek Business Park. Across all four indicators, I find that Sanderson Farms will have minimal negative effects. In some categories, such as the effects on the health care system and employment, Sanderson Farms may actually have some positive effects for the community by providing new opportunities for low skilled workers in our area.

As the county and city consider whether or not to allow Sanderson Farms to locate to the Cedar Creek Business Park and the conditions such permission would include, two factors should be considered by the government in order to help maximize positive community impacts. First and foremost, the government should consider what a reasonable local employment target should be in providing any potential incentives. As discussed in this report, 30% local employment would be an easy target for Sanderson Farms but would still provide a significant boost in job creation for Cumberland County. An additional, reasonable target would be to match the Kinston plant numbers of 40% local employment. The second factor the county and city should consider in making the final decision is expanding bus service to the Cedar Creek Business Park. Ensuring that regular bus service scheduled to co-inside with shift changes at the plant will help increase job stability for the most economically vulnerable workers. Such supports in government planning will help to make sure that Cumberland County residents are able to successfully pursue and maintain stable work opportunities.



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