

## AFTER THE AUDIT: CHIPOTLE FACES HIGHER TURNOVER

Jack Nicas, Miriam Jordan and Julie Jargon  
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After an immigration audit of its payrolls, burrito chain Chipotle Mexican Grill lost 450 of its roughly 1,200 employees in Minnesota between late last year and early this year.

Now it's dealing with the aftermath—steep legal fees, rising turnover and grumbling customers in Minnesota as the company trains new employees. The company said in July that it faced \$1.3 million in legal costs related to the overall immigration investigation.

In April, the U.S. Attorney's Office in Washington, D.C., said it had opened a criminal investigation into whether the company hired illegal immigrants. Chipotle says it is cooperating with the investigation.

The Minnesota crackdown affected only 50 of Chipotle's 1,131 stores nationwide. "It was very troubling for us to have lost so many great employees in Minnesota," said Chris Arnold, a company spokesman.

On the company's second-quarter earnings call in July, Chipotle executives said the government's crackdown has had a ripple affect beyond the areas targeted by audits, which include Virginia and Washington, D.C. Co-Chief Executive Officer Monty Moran told investors that workers concerned about their documents might have decided to seek employment elsewhere.

After the Minnesota audit, Chipotle began using a government-run system called E-Verify to identify job candidates not eligible to work in the U.S. The system isn't foolproof: For instance, it won't catch illegal immigrants who use someone else's identity.

Turnover has begun to moderate. But as of July it was still running 20% higher than normal, leading to instances of slower service, Mr. Moran said.

"When you went in there before...the quality was great," says Michael Thannert, a longtime Chipotle fan in Minneapolis. "Now it takes forever. People are slopping stuff together."

"We are making every effort to be sure our restaurants in Minnesota are performing to our high standards, even with the addition of so many new employees," said Mr. Arnold, the spokesman.